

**SUPERIOR COURT OF THE DISTRICT OF COLUMBIA
CIVIL DIVISION**

DISTRICT OF COLUMBIA,

Plaintiff,

v.

CASA RUBY, INC., *et al.*,

Defendants.

Case No. 2022 CA 003343 B
Judge Danya A. Dayson

RECEIVER’S FIRST INTERIM REPORT

The Wanda Alston Foundation, Inc., the Court-appointed receiver (the “Receiver”) over Defendants, Casa Ruby, Inc., and its subsidiaries and affiliates (“Casa Ruby”), respectfully submits this First Interim Report and states as follows:

I. Introduction and Procedural Background

On August 1, 2022, the District of Columbia filed an Emergency Motion for a Temporary Restraining Order alleging ongoing violations of the Nonprofit Corporations Acts, D.C. Code § 29-401.01, *et seq.* After hearings on August 3, 2022 and August 11, 2022, the Court found that the District had met its burden for an order appointing a Receiver. The District initially put forth two potential candidates for Receiver. After additional vetting and discussion, the District recommended the Wanda Alston Foundation, Inc. and the appointment was confirmed by the Court on August 12, 2022.

II. Immediate Steps Taken to Secure Records and Property

The Receiver contacted the landlord and took custody of two leased properties in the Dupont Circle neighborhood. Casa Ruby’s landlords and employees had gone unpaid for some

time and both sites were abandoned and appeared to have been ransacked. The documents which remained were in complete disarray and would require time to collect, organize, and analyze. Several months of unopened and undistributed clients' mail had accumulated, numerous large wall lockers were still filled with some clients' personal possessions, and various files and business records that included confidential and highly sensitive personally identifiable information from former clients and employees were scattered throughout the offices.

The Receiver also contacted the banks, brokerage firms, financial institutions, and other persons or entities that Casa Ruby was known to use for its transactions and business dealings – delivering a copy of the Court's order. M&T Bank said that its legal department would contact the Receiver. It requested a resolution from the Wanda Alston Foundation's Board of Directors. The resolution was provided, but the Receiver is still waiting to gain access to Casa Ruby's accounts. M&T Bank said that it has received a high volume of requests and they expect to provide access within the week. Citibank informed the Receiver that there were no deposit accounts. There was a credit card account, but the institution declined to provide any statement or account information without a subpoena. A former employee provided Paypal statements through August 31, 2022, but there were no funds in any of those accounts,

Bills, invoices, and account statements have been collected and received from various creditors asserting claims in excess of \$2 million. These claims include unpaid rent and utilities at various leased properties: one location on Georgia Avenue, one location on Florida Avenue, one location on Connecticut Avenue, and four locations on W Street SE. There are also some unpaid taxes, notes on two vehicles, and various parking and moving violation fines. The Receiver is also

aware of at least five open claims against Casa Ruby for breach of contract, but additional time is required to investigate and verify the validity of those claims.

A full accounting of Casa Ruby's assets and liabilities will take some time to reconstruct. Several file cabinets had been cleaned out and various computers with critical information about Casa Ruby's business dealings had been removed from the premises before the Receiver arrived. Further, although some assistance has been offered by one former employee, the Receiver has not been contacted by Ruby Corado. On September 10, 2022, the Receiver's attorney sent an email to Ruby Corado citing the court's order "to preserve and turn over to the Receiver all paper and electronic information" and asking if she had anything that she wished to turn over prior to the delivery of this report. No response to that email was ever received.

III. Receiver's Plan of Action Going Forward

After conducting an initial assessment of the situation, the Receiver determined that there were negligible financial resources available. The landlord had received no rent at either site since 2020. So, it was probably not reasonable to expect any further stays of eviction. Therefore, in order to fulfill its obligations to the Court, the Receiver would have to secure what remained of Casa Ruby's records before losing possession of the premises. If possible, the Receiver also wanted to minimize the harm to Casa Ruby's former clients and employees by dealing with the accumulated mail and the wall lockers. After those immediate issues were addressed, the Receiver would have to take more time to review and examine the documents salvaged from the two locations and conduct a more extensive dialogue with the LGBTQ+ community to determine how to address the larger issues created by Casa Ruby's collapse.

The first phase of the receivership started on August 12, 2022 when the Wanda Alston Foundation was appointed by the Court. It runs until September 21, 2022 when the landlord retakes possession of the two leased properties. During those forty days, the Receiver has mounted three lines of effort: (1) Engaging with the local LGBTQ+ community to secure the funding and manpower necessary to address the immediate issues; (2) Overseeing the collection, organization, transport, and storage of Casa Ruby's client mail and business records; and (3) Assembling the technical expertise necessary to address legal matters, generate grant invoices, handle press and communications, and conduct forensic accounting.

Although the pace has been hectic, the local LGBTQ+ community has come together to help address the situation quite well. After e-mail blasts were sent out to the sports leagues and mutual assistance networks, volunteers have been on site over the course of the past three weeks. The Receiver has been in contact with DHS and OVSJG and both agencies have agreed to accept grant invoices through September 30, 2022. Other local non-profit organizations have stepped in to help generate grant invoices and reach out to Casa Ruby's former clients and employees. Prominent local business owners have offered necessary funding, technical expertise, moving equipment, and storage space. Eighty percent of the critical records and files at 1635 Connecticut Avenue have been secured and moved. Thus, the Receiver currently expects to be able to vacate that property on time. However, additional time may be required to go through the records and files at 2033 Connecticut Avenue.

After vacating all leased properties, activities will shift into the second phase of the receivership. The Receiver will bring in forensic accountants and conduct a more thorough examination of the documents recovered from Casa Ruby's offices – possibly creating digital

records for easier storage and maintenance. The Receiver will also work with other non-profit organizations to facilitate a broader local LGBTQ+ community dialogue to discuss what else needs to be done.

IV. Issues for the Court's Attention

The Receiver has attempted to collect as many of the records and files as possible from Casa Ruby's leased properties in the past forty days. However, additional time is needed to go through the documents at 2033 Connecticut Avenue. The Receiver respectfully requests that the Court stay eviction proceedings for another thirty days at that location – scheduling a second interim report on or before October 15, 2022 to receive an update on the Receiver's progress going through the paperwork at that location.

The Receiver did reach out to the DC Attorney General's Office to advise them of potential criminal misconduct that it had uncovered and to make arrangements for the transfer of items deemed to have a significant potential evidentiary value. The details of those discussions and arrangements are omitted from this report in the interest of protecting anticipated ongoing criminal investigations. However, the Receiver is happy to provide those details to the Court in whatever forum is most appropriate.

The Receiver has also taken custody of a considerable amount of U.S. mail addressed to former clients of Casa Ruby. This mail includes correspondence regarding government benefits, immigration applications, and other pressing matters. The law does not necessarily consider the potential impact on vulnerable, disadvantaged populations. If an addressee is not available, mail is generally just sent back. However, if the Court is willing to allow the Receiver to work with other local LGBTQ+ non-profit organizations, some of these former clients can be located and the mail

can be put in their hands. If the Court would rather have all of the mail returned to the U.S. Postal Service, the Receiver is prepared to carry out the court's instructions.

V. Preliminary Findings on the Court's Requested Subjects

1. Assessment of the state of Casa Ruby's assets and liabilities generally:

The organization's current liabilities far exceed its current assets. Other than assortment of donated furnishings at the two leased properties, there are no other meaningful assets. The bills, invoices, and account statements that have been collected and received from various creditors to date indicate that outstanding liabilities probably exceed \$2 million.

2. Identification of potential grant monies that could still be accessed if Casa Ruby met the grant requirements, and how Casa Ruby could meet those requirements:

The Receiver has been in contact with the District of Columbia and it is working with other local LGBTQ+ non-profit organizations to generate invoices for any grant monies that can be accessed. However, it is worth noting that, at some point, previously submitted invoices may need to be audited.

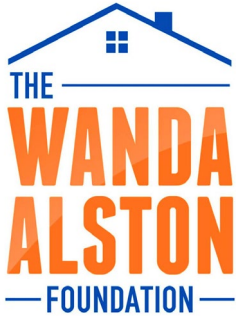
3. Determination of whether Casa Ruby can pay outstanding financial obligations, including but not limited to employees, landlords, and vendors:

There are not adequate financial resources to pay the outstanding financial obligations.

4. Recommendation regarding whether Casa Ruby's Board should be reconstituted and it should resume providing services, or instead whether Casa Ruby should be dissolved in an orderly manner pursuant to D.C. Code § 29-412.23:

Casa Ruby's Board of Directors failed to provide any meaningful oversight and Casa Ruby should be dissolved in an orderly manner pursuant to D.C. Code § 29-412.23.

RESPECTFULLY SUBMITTED BY:



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