

# FBI investigates after Zadeh Kicks dissolves

Louis Krauss

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When Indiana college sophomore Andrew Blough found the Eugene-based sneaker resale company Zadeh Kicks online in 2020, he thought it was too good to be true.

The middleman company allowed for bulk preorders on the most prized upcoming sneakers, and for a good price. It seemed perfect for the 20-year-old Blough, who runs his own sneaker resale company.

Over time he made a significant investment, paying roughly \$70,000 to Zadeh Kicks, run by Eugene resident Michael Malekzadeh.

But in April 2021, Blough's orders stopped arriving, and he got more and more emails about delays. Then, in late May, the news came out that Zadeh Kicks had been closed and placed in receivership, with Blough out \$45,000 in outstanding orders.

"It definitely stings. At first, I was in shock, and then it kind of set in," Blough said. "I hate to say I saw it coming, but there were a lot of red flags along the way."

Zadeh Kicks LLC was formally established by Malekzadeh in May 2013 and was a popular online option for sneakerheads — people who collect and trade sneakers, often rare or exclusive shoes from brands like Nike and Adidas that run from the hundreds to the thousands of dollars. Zadeh Kicks promised customers the eventual delivery of valuable shoes that weren't yet released, often below retail cost, which attracted other resellers wanting to make a profit.

Malekzadeh was the only member of his company, court documents state.

On May 19, the company requested it be voluntarily closed through dissolution in Lane County Circuit Court and petitioned for a court-ordered receiver to take control of the remaining assets.

Now, thousands of sneaker collectors and shoe sellers worldwide who bought from Malekzadeh are scrambling to file claims against the company with the FBI, through their banks and through PayPal, in hopes of getting refunded.

The FBI is investigating, according to Eugene police spokeswoman Melinda McLaughlin.

A representative for the FBI said it would not comment on active investigations.

Blough is one of more than 6,500 members of a Zadeh Kicks relief group on the messaging app Discord, where past customers are sharing how much they lost, discussing their next steps and theorizing about where they think the money went.

"It's pretty shocking. Some of the pictures I've seen of people's orders, with single orders over six figures, it's sickening" Blough said.

Blough and other customers say they are suspicious this was a scam or Ponzi scheme

where Malekzadeh used presale money to fulfill pre-existing orders or for personal purchases.

Levar Hage, a 36-year-old Arizona resident, said he found it suspicious when a popular shoe would appear to have sold out before immediately becoming available again on the website.

"This pair that I wanted, it kept selling out quick, but then he kept selling them, and kept putting it back on the site, doing it over and over," said Hage, who said he is owed \$400 for one pair of shoes he never received. "I was like, 'Oh, this is strange.'"

## Rise and then fall to dissolution

Malekzadeh started selling athletic shoes on eBay, a few pairs at a time in 2009, he shared in a contribution to a 2015 Forbes article about how to finance a startup or small business.

As Zadeh Kicks grew, he recounted, he came up with a plan for not only paying off loans, but getting cheaper financing once he qualified for it. As the business grew, he used \$30,000 of his own money to take out a merchant cash advance, which led to more and more advances, until he'd taken 10 or 12 out from multiple lenders, with payback terms between three months and nine months.

"They make it very convoluted to find out what you're paying," Malekzadeh said in the article. "The worst one I did, I'm pretty sure, was \$75,000 at \$110,000 payback. As long as I'm flipping my product frequently, I'll still make money, but I have to work my butt off to pay all that interest."

In July 2015, Malekzadeh told Forbes his sales were approaching \$2 million, and he switched to new financing, a less-pricey credit with alternative lender Dealstruck, and his company grew from it.

The new financing, he says, gave him breathing room. "I've flipped inventory a ton of times since then," he reported to Forbes, "and done a lot of big deals."

It's not clear when those deals started to overwhelm the business leading Malekzadeh to ask the court for a voluntary dissolution of the company he built.

Zadeh Kicks' lawyer Joe Mabe, with the Portland firm Slinde Nelson, declined to comment on what led to the dissolution or how much was owed.

"The company is in the hands of the receiver," Mabe told The Register-Guard.

In the petition for dissolution, Mabe wrote that Zadeh Kicks experienced exponential growth between January 2020 and May 2022, mostly as the result of presales of shoes that weren't yet released.

During that time, Malekzadeh was unable to keep up with the growth and the company's "internal systems and processes were inadequate to maintain fulfillment at these lev-

els," Mabe wrote.

"As a result, Zadeh Kicks' present liabilities exceed its present assets, e.g., Zadeh Kicks is insolvent," the petition reads, later adding that "this will be a massive undertaking" for the receiver.

The petition does not specify how much Zadeh Kicks owes, other than it exceeds millions of dollars. The company stopped taking orders April 29, the petition states. Malekzadeh proposed California lawyer David P. Stapleton to serve as a receiver, and the court ordered he take over the assets May 23. Stapleton did not return requests for comment.

Following the company's closure, it posted a message on its website — which is now offline — informing that Stapleton had taken over asset management, and that he would provide updates "as they become available." It also directed customers who believed they are victims to call the FBI and that no one should try to make contact with Malekzadeh or his family. A few days later, the website was shut down.

## Eugene police get involved

The dissolution led to numerous outcries on social media where people alleged Zadeh Kicks scammed its customers and posted screenshots of their claims for reimbursement, and pictures of Malekzadeh and his house in Eugene.

There may have been more extreme reactions by customers angry they lost money in the dissolution.

Malekzadeh has requested assistance from Eugene police "a few times" following the dissolution to report "suspicious persons and circumstances," according to McLaughlin. Police call logs show officers have responded four times to his primary warehouse in west Eugene in the past two weeks, including one report of criminal trespassing, two for "suspicious conditions" and one request for backup after reports of a shot fired.

McLaughlin declined to comment further on the incidents, and whether police believe they involved customers of Zadeh Kicks.

"The case is the FBI's so we don't want to interfere with that by giving out further details," she said.

## Customers were suspicious of company beforehand

Several who lost money told The Register-Guard that the company's downfall came as shock, but also that they suspected something was fishy with how the reseller operated.

Hage, who never received the Jordan 1 Chicago shoes he paid for, said this is a "huge" financial hit to the sneaker collector community. He was surprised by Zadeh Kicks' collapse and said he became a regular customer

after his first few purchases went smoothly. The company also offered larger-size shoes that fit Hage and weren't fakes, which he said is more common for those sizes.

Hage and Blough described Zadeh Kicks as a hidden secret, where sneaker fanatics and those trying to make a profit could find the best deals, even if it meant waiting more than a year for delivery.

"The joke was when you order from Zadeh, you're probably going to get them two Christmases from the time that you ordered," Hage said. "But at the same time, everyone was like, 'No, they're legit.'"

Sometimes a hot upcoming sneaker would end up getting canceled and Malekzadeh would refund buyers.

But customers said there were also red flags, such as questions surrounding how Malekzadeh profited while selling shoes under the retail price, and why orders often arrived months or years late, if at all.

Blough said he paid \$5,000 for a bulk order of an upcoming shoe, but that when the shoe was released, the company offered to buy back his purchase — with a \$8,000 gift card to use at the Zadeh Kicks website, which he accepted. Not long after, the company was dissolved.

"I spent the gift card on his website, and I got some shoes from those orders, but then the website shut down," said Blough, noting he has gotten no response after trying to reach the receiver Stapleton.

Looking back at the delays and activity on the website, Blough said, he thinks there were signs all along it could be a Ponzi scheme.

"It had those characteristics, where it was hard to pull your money out; you have these high percentage returns of sometimes over 100% within a year; and the long wait times," Blough said.

In 2020, the company received a federal PPP loan for a little over \$150,000 to go toward payroll. The loan status is undisclosed, so it is unclear if it was repaid.

While Blough said he will be OK financially, he felt bad for other customers in more dire situations. Customers in the relief group posted about having to put their homes up for foreclosure, paying for a \$615,000 gift card, or how it caused turmoil in their personal lives.

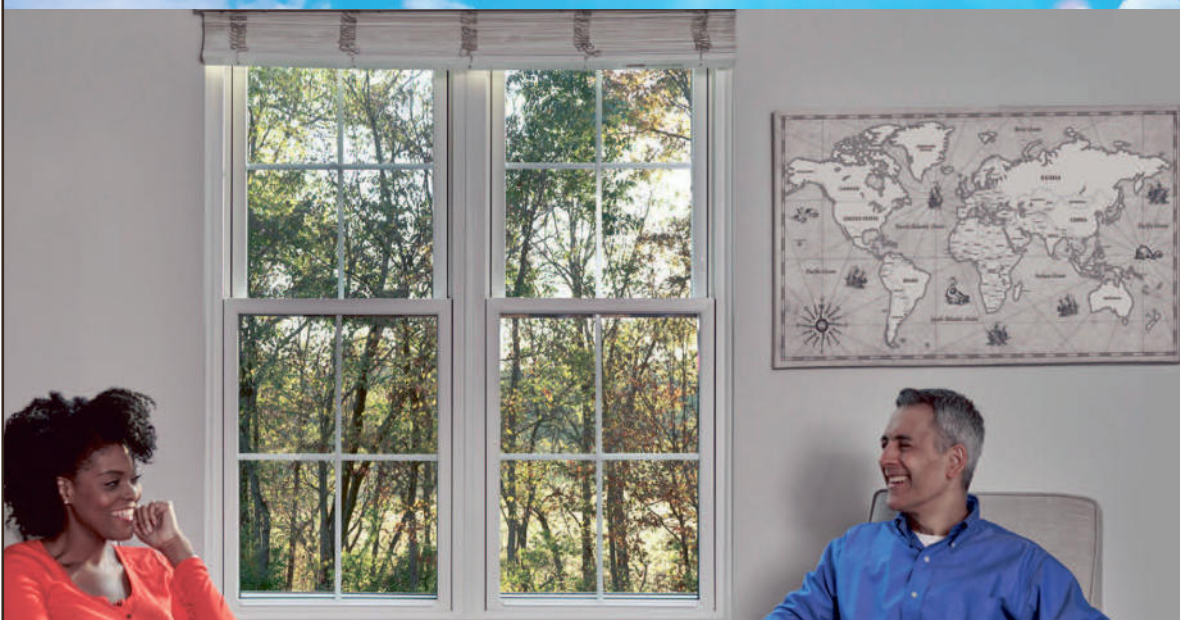
Given there's a chain of shoe re-sale businesses that buy from each other and make bulk pre-sale orders, Hage said, he's interested to see what happens next and if other companies will collapse as well.

"There were concerns because you hear of other big-time resellers getting pairs earlier," he said. "So we're like, 'Who going to be the next big person to fall now as a result of this?'"

Louis Krauss covers breaking news for The Register-Guard. Contact him at lkrauss@register-guard.com, and follow him on Twitter @LouisKraussNews.

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