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FILED-SOUTHERN DIVISION
CLERK, U.S. DISTRICT COURT
NOV 27 2006
CENTRAL DISTRICT OF CALIFORNIA
BY DEPUTY

10 **UNITED STATES DISTRICT COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA**

12 **Federal Trade Commission,**
13 Plaintiff,
14 v.
15 **Dennis Connelly, et al.,**
16 Defendants.

17 Case No. SACV-06-701 DOC (RNBx)
18 STIPULATION TO AMEND
19 COMPLAINT; ORDER THEREON

20 WHEREAS Plaintiff filed its Complaint in this matter on August 3, 2006;

21 WHEREAS Plaintiff has discovered new information concerning the
22 ownership of Defendants National Support Services, LLC, and Prosper Financial
23 Solutions, as well as the relationship between Prosper and the other Defendants;

24 WHEREAS Plaintiff has determined that the Complaint should therefore be
25 amended;

26 WHEREAS Defendants have consented to Plaintiff amending its Complaint;

27 ///

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1 THEREFORE the parties hereby stipulate to the filing of the Amended
2 Complaint attached hereto as Exhibit 1..
3

4 **So Ordered:**

5 Date: November 27, 2006

David O. Carter
The Hon. David O. Carter
United States District Judge

7 **So Stipulated:**

8
9 Date: November __, 2006

PLAINTIFF FTC:

10 By: _____
Jennifer Larabee
John D. Jacobs
Federal Trade Commission
Attorneys for Plaintiff FTC

11
12
13 Date: November __, 2006

FINANCIAL LIBERTY SERVICES, LLC:

14 By: _____
Kenton Johnson
Brick Kane
Robb Evans & Assoc., Receiver
Over Financial Liberty Services, LLC

15
16
17
18 Date: November __, 2006

HOMELAND FINANCIAL SERVICES:

19 By: _____
Kenton Johnson
Brick Kane
Robb Evans & Assoc., Receiver
Over Financial Liberty Services, LLC

20
21
22 Date: November __, 2006

NATIONAL SUPPORT SERVICES, LLC:

23 By: _____
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9 Date: November 21, 2006

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10 By: John D. Jacobs
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Federal Trade Commission
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1 UNITED DEBT RECOVERY, LLC:

2 Date: November __, 2006

By:

Kenton Johnson
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Brick Kane
Robb Evans & Assoc., Receiver
Over United Debt Recovery, LLC

5 FIRST FREEDOM FINANCIAL, LLC:

6 Date: November __, 2006

By:

Michael L. Mallow
Michael L. Mallow
Christina Moore
Loeb & Loeb, LLP
Attorneys for First Freedom Financial, LLC

9 USA DEBT CO, LLC:

10 Date: November __, 2006

By:

Michael L. Mallow
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Christina Moore
Loeb & Loeb, LLP
Attorneys for USA Debt Co, LLC

14 DENNIS CONNELLY

15 Date: November __, 2006

By:

H. Dean Steward
H. Dean Steward
Attorney for Dennis Connelly

18 RICHARD WADE TORKELSON

19 Date: November __, 2006

By:

David Wiechert
David Wiechert
Andrea Jacobs
Attorneys for Richard Wade Torkelson

22 JOANNE GARNEAU

23 Date: November __, 2006

By:

Steven L. Krongold
Steven L. Krongold
Thomas H. Bienert
Bienert & Krongold
Attorneys for Joanne Garneau

26 ROBINA CAPITAL, INC.

27 Date: November __, 2006

By:

Steven L. Krongold
Steven L. Krongold
Thomas H. Bienert
Bienert & Krongold
Attorneys for Robina Capital, Inc.

UNITED DEBT RECOVERY, LLC:

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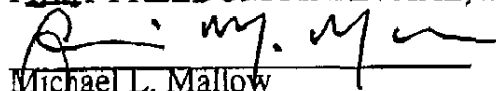
Kenton Johnson
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~~FIRST~~ FREEDOM FINANCIAL, LLC:

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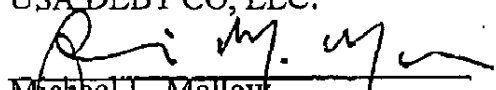
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27 Date: November __, 2006

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Bienert & Krongold
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Date: November __, 2006 By:

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Date: November 20, 2006 By:


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Date: November __, 2006 By:

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Attorneys for Richard Wade Torkelson

JOANNE GARNEAU

Date: November __, 2006 By:

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Attorneys for Joanne Garneau

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26 Date: November __, 2006 By:

Steven L. Krongold
Thomas H. Bienert
Bienert & Krongold
Attorneys for Robina Capital, Inc.

1 Plaintiff, the Federal Trade Commission ("FTC" or "Commission"), by its
2 undersigned attorneys, alleges:

3 1. The FTC brings this action under Sections 5(a) and 13(b) of the Federal
4 Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 45(a) and 53(b), to obtain
5 preliminary and permanent injunctive relief, rescission or reformation of contracts,
6 restitution, disgorgement, the appointment of a receiver, and other equitable relief
7 for defendants' violations of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

8
9 **JURISDICTION AND VENUE**

10 2. This Court has subject matter jurisdiction over the FTC's claims
11 pursuant to 15 U.S.C. §§ 45(a) and 53(b) and 28 U.S.C. §§ 1331, 1337(a) and 1345.

12 3. Venue in the United States District Court for the Central District of
13 California is proper under 15 U.S. C. § 53(b) and 28 U.S.C. §§ 1391(b) and (c).

14
15 **THE PARTIES**

16 4. **Plaintiff Federal Trade Commission** is an independent agency of the
17 United States Government created by statute. 15 U.S.C. §§ 41 *et seq.* The
18 Commission enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which
19 prohibits unfair or deceptive acts or practices in or affecting commerce. The
20 Commission may initiate federal district court proceedings by its own attorneys to
21 enjoin violations of the FTC Act and to secure such equitable relief as is appropriate
22 in each case, including restitution for injured consumers. 15 U.S.C. § 53(b).

23 5. **Defendant Dennis Connelly** ("Connelly") is an individual who resides
24 in Orange County, California. Connelly founded or helped to found defendants
25 Homeland Financial Services ("Homeland"), National Support Services, LLC
26 ("NSS"), Financial Liberty Services, LLC ("Financial Liberty"), United Debt
27 Recovery, LLC ("United"), and Freedom First Financial, LLC ("Freedom First").
28 Connelly is or has been the Secretary and a director of Homeland. At all times

1 material to this Complaint, acting alone or in concert with others, Connelly has
2 formulated, directed, controlled, or participated in the acts and practices of
3 Homeland, NSS, Financial Liberty, United, and Freedom First, including the acts
4 and practices set forth in this Complaint. Connelly transacts or has transacted
5 business in the Central District of California and throughout the United States.

6 6. **Defendant Richard Wade Torkelson** ("Torkelson"), also known as
7 Wade Torkelson, is an individual who resides in Orange County, California.
8 Torkelson founded or helped to found defendants Homeland, NSS, Financial
9 Liberty, and United. Torkelson is or has been the Chief Executive Officer, Chief
10 Financial Officer, President, and a director of Homeland. At all times material to
11 this Complaint, acting alone or in concert with others, Torkelson has formulated,
12 directed, controlled, or participated in the acts and practices of Homeland, NSS,
13 Financial Liberty, and United, including the acts and practices set forth in this
14 Complaint. Torkelson transacts or has transacted business in the Central District of
15 California and throughout the United States.

16 7. **Defendant Joanne Garneau** ("Garneau"), also known as Joanne
17 Torkelson, is an individual who resides in Orange County, California. At all times
18 material to this Complaint, Joanne Garneau has individually done business as
19 Prosper Financial Solutions ("Prosper") and/or has also been an owner and officer of
20 defendant Robina Capital, Inc. ("Robina"), which has done business as Prosper
21 Financial Solutions. Joanne Garneau, Robina, and Prosper have conducted business
22 out of offices located at 1031 Calle Recodo, Suite D, San Clemente, California. At
23 all times material to this Complaint, acting alone or in concert with others, Joanne
24 Garneau has formulated, directed, controlled, or participated in the acts and
25 practices of Prosper and Robina, including the acts and practices set forth in this
26 Complaint. Joanne Garneau transacts or has transacted business in the Central
27 District of California and throughout the United States.

28

1 8. **Defendant Financial Liberty Services, LLC** is a Nevada limited
2 liability company that has or has had its principal place of business at 2850 Red Hill
3 Avenue, Suite 220, Santa Ana, California, and then at 4425 Jamboree Road, Suite
4 140, Newport Beach, California. Financial Liberty was formed and began operating
5 in 2004. Financial Liberty is and has been the sole member of defendant NSS. The
6 owners of Financial Liberty and NSS viewed Financial Liberty as the parent
7 company of NSS. Financial Liberty has transacted business in the Central District
8 of California and throughout the United States.

9 9. **Defendant Homeland Financial Services** is a California corporation
10 that has or has had its principal place of business at 2850 Red Hill Avenue, Suite
11 220, Santa Ana, California, and then at 4425 Jamboree Road, Suite 140, Newport
12 Beach, California. Homeland began operating in approximately 2001. At all times
13 material to this Complaint, Homeland advertised, marketed, promoted, offered, sold,
14 or agreed to perform debt-negotiation services to or for consumers throughout the
15 United States. Homeland has transacted business in the Central District of
16 California and throughout the United States.

17 10. **Defendant National Support Services, LLC** is a California limited
18 liability company that has or has had its principal place of business at 2850 Red Hill
19 Avenue, Suite 220, Santa Ana, California, and then at 4425 Jamboree Road, Suite
20 140, Newport Beach, California. NSS began operating in 2004. At all times
21 material to this Complaint, NSS has advertised, marketed, promoted, offered, sold,
22 or agreed to perform debt-negotiation services to or for consumers throughout the
23 United States. NSS has transacted business in the Central District of California and
24 throughout the United States.

25 11. **Defendant United Debt Recovery, LLC** is a Nevada limited liability
26 company that had its principal place of business at 2151 Michelson Drive, Suite 170,
27 Irvine, California. United began operating in 2004. At all times material to this
28 Complaint, United has advertised, marketed, promoted, offered, sold, or agreed to

1 perform debt-negotiation services to or for consumers throughout the United States.
2 United has transacted business in the Central District of California and throughout
3 the United States.

4 12. **Defendant Freedom First Financial, LLC** is a Wyoming limited
5 liability company that had its principal place of business at 1274 Center Court
6 Drive, Suite 107, Covina, California. Freedom First began operating in 2004. At all
7 times material to this Complaint, Freedom First has advertised, marketed, promoted,
8 offered, sold, or agreed to perform debt-negotiation services to or for consumers
9 throughout the United States. Freedom First transacts or has transacted business in
10 the Central District of California and throughout the United States.

11 13. **Defendant USA Debt Co, LLC** ("USA Debt Co."), also known as
12 UsaDebtCo.com, is a Wyoming limited liability company that has its principal place
13 of business at 801 Corporate Center Drive, Pomona, California. USA Debt Co.
14 began operating in 2004. At all times material to this Complaint, USA Debt Co. has
15 advertised, marketed, promoted, offered, sold, or agreed to perform debt-negotiation
16 services to or for consumers throughout the United States. USA Debt Co. transacts
17 or has transacted business in the Central District of California and throughout the
18 United States.

19
20 **COMMON ENTERPRISE**

21 14. Homeland, NSS, Financial Liberty, and United have operated together
22 as a common enterprise while engaging in the deceptive acts and practices alleged
23 below. These defendants have conducted the business practices described below
24 through an interrelated network of companies with common ownership, officers,
25 managers, and business functions. Individual defendants Connelly and Torkelson
26 have formulated, directed, and/or controlled, or had authority to control, or
27 participated in the acts and practices of the corporate defendants that comprise the
28 common enterprise.

1 COMMERCE

2 15. At all times relevant to this Complaint, defendants have maintained a
3 substantial course of business in the advertising, marketing, promoting, offering for
4 sale and sale of debt-negotiation services, in or affecting commerce, including the
5 acts and practices alleged herein, as "commerce" is defined in Section 4 of the FTC
6 Act, 15 U.S.C. § 44.

7
8 DEFENDANTS' BUSINESS ACTIVITIES

9 16. Defendant Homeland was founded by defendants Connelly and
10 Torkelson. Homeland began operating a debt-negotiation business in or about 2001.
11 Homeland held out its debt-negotiation program (or "program") as a means for
12 consumers to dramatically reduce their credit-card and other unsecured debts, so that
13 they could pay off these debts for substantially less than the amount owed.

14 17. Through approximately mid-2004, Homeland promoted and sold its
15 debt-negotiation program directly to consumers through an in-house sales staff and
16 various third-party sales offices and/or sales representatives, including Defendants
17 Robina and Garneau.

18 18. In or about August 2004, Homeland reorganized its operation, in
19 response to numerous complaints that had been filed against the company with the
20 Better Business Bureau. First, Connelly and Torkelson formed defendant United,
21 and transferred Homeland's in-house sales operation to United. Second, Connelly
22 and Torkelson formed defendant Financial Liberty, which took over the processing
23 and servicing of new debt-negotiation clients, through its subsidiary, defendant
24 NSS. Financial Liberty and NSS then continued to obtain new clients not only
25 through United and Prosper, but also through sales offices around the country.

26 19. Following a consumer's enrollment, the sales office passed the contract
27 on to Financial Liberty and NSS for servicing, even though sales contracts were
28 ostensibly between the consumer and the sales office. NSS provided so-called "back

1 end" service, which includes, among other things, negotiating settlements with
2 consumers' creditors, providing customer service, and administering customer
3 accounts.

4 20. Sales offices received commissions of between 40% and 50% of the
5 fees received from clients. Defendant Financial Liberty handled the payment of
6 commissions to sales offices. Financial Liberty also received and processed fees
7 paid by clients who signed up through the various sales offices, including Prosper,
8 for the defendants' debt-negotiation program.

9 21. Defendants promoted their program to prospective purchasers through a
10 variety of means, but primarily through Internet websites.

11 22. Homeland, NSS, Connelly and Torkelson made available one or more
12 website templates to the various sales offices. Many if not all of these sales offices,
13 including defendants United, Robina, Garneau, Freedom First, and USA Debt Co.,
14 have used one or more of these templates. As a result, the websites for these offices
15 are or were very similar to each other in appearance and content.

16 23. Websites on which defendants have promoted their services include,
17 without limitation, the following:

- 18 a. www.homelandfinancial.net;
- 19 b. www.prosperfinancial.net;
- 20 c. www.prosperfinancial.org;
- 21 d. www.freedomfirstfinancial.com;
- 22 e. www.uniteddebtrelief.com;
- 23 f. www.uniteddebtreliefservices.com;
- 24 g. www.united-debt-recovery.com; and
- 25 h. www.usadebtco.com.

26 24. Each of defendants' websites, including Prosper's websites, has
27 represented to consumers that defendants will negotiate with the consumer's
28 unsecured creditors and will obtain favorable settlements that will allow the

1 consumer to pay off his debts to these creditors for a substantially lower amount
2 than the consumer currently owes, such as 40% to 60% of the consumer's
3 outstanding debt.

4 25. For example, one or more websites for Prosper included statements
5 such as "Through the established relationships that we have with the creditors and
6 financial institutions, we are able to successfully negotiate the debts of our clients at
7 a substantial discount," and "Average Monthly Settlements 45%-62%," and "Learn
8 more about reducing your debt and finding someone you can trust." Defendants'
9 websites have also claimed that defendants had a "great track record with clients and
10 creditors," and that they were able to "successfully negotiate the debts of our clients
11 at a substantial discount." Defendants' websites have further claimed that
12 Defendants' negotiation process "has been tested and developed over years of
13 experience by our team of professionals in the field of finance and credit card debt."

14 26. Defendants' websites claimed that defendants can settle a variety of
15 unsecured debt, including credit cards, unsecured loans, and medical bills. A
16 dominant theme of defendants' websites is that consumers could rely on defendants
17 to improve the consumer's financial situation and to relieve consumers of the stress
18 of dealing with creditors.

19 27. Defendants' websites encouraged consumers to request a free analysis
20 of their financial situation either by calling defendants' toll-free numbers or by
21 completing and submitting an online form requesting more information.

22 28. Calls and website inquiries were handled by telemarketers or sales
23 personnel in the defendants' sales offices, including Prosper's office. Homeland,
24 NSS, Connelly and Torkelson provide or have provided the sales offices with
25 scripts.

26 29. Defendants' telemarketers, like defendants' websites, routinely claimed
27 that defendants would negotiate the consumer's unsecured debt down to 40% to 60%
28 of the amount the consumer owes his creditors. Defendants' telemarketers further

1 told consumers that under defendants' program, consumers would have an affordable
2 monthly payment and would be out of debt within a limited period of time, typically
3 within three years.

4 30. Defendants' telemarketers typically advised consumers that if they
5 participated in defendants' debt-negotiation program, defendants would immediately
6 contact the consumer's creditors and inform them that defendants now represented
7 the consumer. Telemarketers represented that consumers would then receive few if
8 any calls from creditors. Telemarketers also represented that consumers would
9 obtain more favorable settlements if they stopped making their monthly payments to
10 their creditors.

11 31. In addition, defendants' telemarketers advised consumers who inquired
12 about the effects of defendants' program on the consumer's credit rating that the
13 program would have only a minimal, negative effect which would last only the
14 length of time during which the consumer is in the program. Defendants also
15 represent that they would negotiate settlements with consumers' creditors pursuant
16 to which the creditors will stop reporting unfavorable items of information to credit
17 reporting agencies.

18 32. Defendants charged their clients a nonrefundable fee. The defendants'
19 fee was expressed as a percentage of the amount of debt that the consumer owed his
20 unsecured creditors at the beginning of the program. Since 2002, the fee rose from
21 12% to 15% of the consumer's total debt.

22 33. Defendants required clients to make a substantial down payment toward
23 the fee within the first two to three months of enrolling in the program. The down
24 payment consumers were required to pay was typically 30% to 40% of defendants'
25 total fee. Consumers paid the remainder of defendants' fee in monthly installments
26 over the course of the following six to twelve months. Defendants typically required
27 consumers to pay the fee by automatic withdrawal from the consumer's checking or
28 savings account.

1 34. After consumers enrolled in defendants' program, they received a
2 packet of documents from defendants, which defendants refer to as a "Welcome
3 Packet." The "Welcome Packet" included form letters that consumers were
4 instructed to fill out and send to their creditors. The form letters instructed the
5 consumer's creditors to cease communicating with the consumer and to
6 communicate instead with defendants. Defendants also advised consumers to send
7 defendants copies of correspondence from creditors.

8 35. As described below, participation in defendants' program did not
9 produce the positive results that consumers expected at the time they enrolled.

10 36. Defendants typically did not commence settlement negotiations
11 immediately. To the extent that defendants initiated negotiations with any of their
12 clients' creditors, they typically did not begin doing so until after the consumer had
13 made the required down payment on defendants' fee, which was typically a
14 minimum of two to three months after the consumer had entered defendants'
15 program and had ceased making payments to his creditors.

16 37. To the extent defendants negotiated a settlement on any of a consumer's
17 several accounts, they rarely if ever negotiated settlements with all of a consumer's
18 creditors. In fact, fewer than 900 clients, out of a total of more than 17,500 clients,
19 completed defendants' program, and defendants failed to negotiate substantial
20 reductions of debt on most of their clients' accounts. Even when defendants
21 succeeded in negotiating a settlement on one of a client's several accounts, the
22 amount the client was required to pay under the settlement was on average
23 significantly higher than 40% of the amount the client owed to the creditor at the
24 time he enrolled in defendants' program.

25 38. Participation in defendants' program also did little to abate or prevent
26 calls from creditors. Within approximately one to three months after enrolling in
27 defendants' programs, consumers who stopped paying their creditors on defendants'
28 instructions would begin receiving calls from creditors or collection agencies

1 inquiring about the payments that are past due. When consumers would call
2 defendants to inquire or to complain about calls from creditors, consumers often had
3 difficulty reaching anyone, as their calls were put on hold indefinitely or were not
4 answered, and their messages were not returned. Defendants were particularly
5 nonresponsive after consumers had paid most or all of the defendants' fee. When
6 consumers succeeded in reaching defendants, they were often told to simply tell
7 their creditors to contact defendants and then to hang up.

8 39. Following defendants' advice to stop making payments to creditors
9 resulted in other adverse consequences, as well.

10 a. Contrary to defendants' representations, creditors typically do not wait
11 indefinitely to get paid. In numerous instances, after consumers who
12 enrolled in defendants' program had ceased making payments and
13 defendants had failed to contact the consumer's creditors to offer a
14 settlement, consumers were sued by one or more of their creditors or by
15 one or more debt collection agencies attempting to collect on their
16 accounts. Litigation against defendants' clients by their creditors or
17 debt collection agencies has often resulted in the garnishment of the
18 consumer's wages by the creditor or debt collection agency.

19 b. As a result of not making their minimum monthly payments, additional
20 interest would accrue on the consumer's outstanding account balances,
21 interest rates increased, late charges were assessed, and other fees were
22 imposed.

23 c. In many cases, consumers who enrolled in defendants' program suffered
24 a substantial negative impact on their credit reports, as a result of
25 ceasing payment to their creditors. Pursuant to the Fair Credit
26 Reporting Act ("FCRA"), credit reporting agencies are permitted to
27 report accurate negative information such as late payments, charge-offs,
28 collections, judgments and garnishments for seven years. (15 U.S.C.

1 §1681c) The FCRA also prohibits creditors from knowingly reporting
2 false information (15 U.S.C. § 1681s-2(a)(1)), and thus prohibits
3 creditors from changing accurate information they have previously
4 reported.

5 40. Typically within six or seven months of enrolling in defendants' debt-
6 negotiation program, most consumers realized that their financial situation was not
7 improving but instead was getting worse, and canceled their participation in the
8 program. By this time most consumers would find that the balances on the accounts
9 that they trusted defendants to settle had increased substantially as a result of
10 penalties, fees, interest and other charges. Many consumers who retained
11 defendants' services for the purpose of improving their financial situation
12 experienced such a substantial increase in their debt that they have filed for
13 protection under the bankruptcy laws.

14
15 **VIOLATIONS OF SECTION 5 OF THE FTC ACT**

16 41. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits unfair or
17 deceptive acts or practices in or affecting commerce.

18 42. Misrepresentations or omissions of material fact constitute deceptive
19 acts or practices prohibited by Section 5(a) of the FTC Act.

20
21 **COUNT I**

22 **(As to All Defendants)**

23 **Misrepresentation of Defendants' Program**

24 43. In numerous instances in connection with the advertising, marketing,
25 promoting, offering for sale or sale of their debt-negotiation services, defendants or
26 their employees or agents have represented, expressly or by implication, that
27
28

1 by enrolling in defendants' debt-negotiation program, consumers will be able to pay
2 off their credit-card and other unsecured debts for a substantially reduced amount,
3 such as 40 to 60 percent of the total amount owed to their creditors.

4 44. In truth and in fact, in numerous instances, by enrolling in defendants'
5 debt-negotiation program, consumers were not able to pay off the debts they
6 submitted to defendants' program for a substantially reduced amount, such as 40 to
7 60 percent of the total amount owed to their creditors.

8 45. Therefore, defendants' representation as set forth in Paragraph 43 is and
9 was false and misleading and constitutes a deceptive act or practice in violation of
10 Section 5(a) of the FTC Act, 15 U.S. C. § 45(a).

11
12 **COUNT II**

13 **(As to All Defendants)**

14 **Failure to Disclose Likelihood of Lawsuit**

15 46. In numerous instances, in connection with the advertising, marketing,
16 promoting, offering for sale or sale of their debt-negotiation services, defendants or
17 their employees or agents have represented to consumers who enrolled in
18 defendants' debt-negotiation program that more favorable settlements would be
19 reached with consumers' creditors if they ceased making monthly payments to their
20 creditors, and that consumers could rely on defendants to negotiate settlements with
21 consumers' creditors.

22 47. Defendants failed to adequately disclose to consumers who enrolled in
23 defendants' program that when consumers stop paying their creditors, there is a
24 substantial likelihood that one or more of their creditors will sue the consumer.

25 48. This additional information, described in Paragraph 47, would be
26 material to consumers in deciding whether to participate in defendants' program.

27 49. Defendants' failure to disclose the material information described in
28 Paragraph 47, in light of the representations described in Paragraph 46, therefore

1 constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15
2 U.S.C. § 45(a).

3
4 **COUNT III**

5 (As to All Defendants)

6 **Failure to Disclose Increase in Debt**

7 50. In numerous instances, as alleged in Paragraph 46 above, in connection
8 with the advertising, marketing, promoting, offering for sale or sale of their debt-
9 negotiation services, defendants or their employees or agents have represented to
10 consumers who enrolled in defendants' debt-negotiation program that more
11 favorable settlements would be reached with consumers' creditors if they ceased
12 making monthly payments to their creditors.

13 51. Defendants failed to adequately disclose to consumers who enrolled in
14 defendants' program that when consumers stop paying their creditors, the balances
15 on their credit accounts would increase as a result of interest accruing on their
16 accounts, increases to their interest rate, and the imposition of late fees and other
17 charges.

18 52. This additional information, described in Paragraph 51, would be
19 material to consumers in deciding whether to participate in defendants' program.

20 53. Defendants' failure to disclose the material information described in
21 Paragraph 51, in light of the representations described in Paragraph 50, therefore
22 constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15
23 U.S.C. § 45(a).

24
25 **COUNT IV**

26 (As to All Defendants)

27 **Misrepresentation of Effect on Credit Report**

1
2 **PRAYER FOR RELIEF**

3 WHEREFORE plaintiff Federal Trade Commission, pursuant to Section
4 13(b) of the FTC Act, 15 U.S.C. § 53(b), and the Court's own equitable powers,
5 requests that this Court:

6 1. Award plaintiff such preliminary injunctive and ancillary relief as may
7 be necessary to avert the likelihood of consumer injury during the pendency of this
8 action and to preserve the possibility of effective final relief;

9 2. Enter a permanent injunction to prevent future violations of the FTC
10 Act by defendants;

11 3. Award such relief as the Court finds necessary to redress injury to
12 consumers resulting from defendants' violations of the FTC Act as alleged herein,
13 including but not limited to the rescission or reformation of contracts, restitution, the
14 refund of monies paid, and the disgorgement of ill-gotten monies; and

15 4. Award plaintiff the costs of bringing this action, as well as such other
16 and additional relief as the Court may determine to be just and proper.

17
18 Dated _____

19 Respectfully submitted,

20 WILLIAM BLUMENTHAL
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22 _____
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