

FILED-SOUTHERN DIVISION
CLERK, U.S. DISTRICT COURT
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CENTRAL DISTRICT OF CALIFORNIA
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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

10 Case No. SACV-06-701 DOC (RNBx)

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

~~Proposed~~ **TEMPORARY
RESTRAINING ORDER WITH
ASSET FREEZE, APPOINTMENT
OF TEMPORARY RECEIVER
AND OTHER EQUITABLE
RELIEF, AND ORDER TO SHOW
CAUSE WHY A PRELIMINARY
INJUNCTION SHOULD NOT
ISSUE AND A PERMANENT
RECEIVER SHOULD NOT BE
APPOINTED**

16
17 Plaintiff Federal Trade Commission ("FTC" or "Commission"), pursuant to
18 Section 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 53(b),
19 has filed a complaint for permanent injunction and other equitable relief, including
20 consumer redress, and applied ex parte for a temporary restraining order with asset
21 freeze and for an order to show cause why a preliminary injunction should not be
22 granted pursuant to Rule 65 of the Federal Rules of Civil Procedure, and why a
23 permanent receiver should not be appointed.

24
25 **FINDINGS OF FACT**

26 The Court has considered the Complaint, ex parte Application for Temporary
27 Restraining Order and Appointment of Temporary Receiver, Memorandum of Points
28 and Authorities with supporting Declarations, exhibits, attachments, and all other

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1 papers filed herein, and it appears to the satisfaction of the Court that:

2 1. This Court has jurisdiction over the subject matter of the case. There is
3 good cause to believe it will have jurisdiction over all parties and that venue in this
4 district is proper.

5 2. There is good cause to believe Defendants **DENNIS CONNELLY,**
6 **RICHARD WADE TORKELSON, a/k/a WADE TORKELSON, JOANNE**
7 **GARNEAU, a/k/a JOANNE TORKELSON, HOMELAND FINANCIAL**
8 **SERVICES, NATIONAL SUPPORT SERVICES, LLC, UNITED DEBT**
9 **RECOVERY, LLC, FREEDOM FIRST FINANCIAL, LLC, and USA DEBT**
10 **CO, LLC, a/k/a USADEBTCO.COM** (collectively, "Defendants") have engaged in
11 and are likely to continue to engage in acts and practices that violate Section 5(a) of
12 the FTC Act, 15 U.S.C. § 45(a) by making misrepresentations in the course of the
13 offer and sale of their debt negotiation services.

14 3. There is good cause to believe that the Commission is likely to prevail
15 on the merits of this action.

16 4. There is good cause to believe that immediate and irreparable harm will
17 result from Defendants' ongoing violations of Section 5(a) of the FTC Act, 15 unless
18 Defendants are restrained and enjoined by Order of this Court.

19 5. There is good cause to believe that immediate and irreparable damage
20 to the Court's ability to grant effective final relief for consumers—including
21 consumer redress, refunds, rescission, restitution, disgorgement and other equitable
22 monetary relief—will occur from the dissipation or concealment of assets or the
23 disposition, destruction, alteration or concealment by Defendants of their records
24 unless the Defendants are immediately restrained and enjoined by Order of this
25 Court.

26 6. Pursuant to Federal Rule of Civil Procedure 65(b) and Local Rule
27 7-19.2, there is thus good cause for issuing this Order without prior notice to the
28 Defendants of the Commission's application.

1 7. Good cause exists for the appointment of a Temporary Receiver over
2 Defendants **HOMELAND FINANCIAL SERVICES** ("Homeland"), **NATIONAL**
3 **SUPPORT SERVICES, LLC** ("NSS"), **UNITED DEBT RECOVERY, LLC**
4 ("United"), **FREEDOM FIRST FINANCIAL, LLC** ("Freedom First"), **USA**
5 **DEBT CO, LLC**, a/k/a **USADEBT.CO.COM** ("USA Debt") and over the business
6 assets and operations of **PROSPER FINANCIAL SOLUTIONS** ("Prosper").

7 8. Weighing the equities and considering the Commission's likelihood of
8 success in its causes of action, this Temporary Restraining Order is in the public
9 interest.

10 9. The Commission is an independent agency of the United States of
11 America and no security is required of any agency of the United States of America
12 for issuance of a restraining order under Fed. R. Civ. P. 65(c).

13 ORDER

14 Definitions

15 1. "**Assets**" means any legal or equitable interest in, right to, or claim to,
16 any real and personal property, including but not limited to chattel, goods,
17 instruments, equipment, fixtures, general intangibles, effects, leaseholds, mail or
18 other deliveries, inventory, checks, notes, accounts, credits, receivables, and all
19 cash, wherever located.

20 2. "**Document**" is synonymous in meaning and equal in scope to the usage
21 of the term in Federal Rule of Civil Procedure 34(a), and includes writings,
22 drawings, graphs, charts, photographs, audio and video recordings, electronic email
23 ("email"), computer records, and other data compilations from which information
24 can be obtained and translated, if necessary, through detection devices into
25 reasonably usable form. A draft or non-identical copy is a separate "document"
26 within the meaning of the term.

27 3. "**Defendants**" means Defendants **DENNIS CONNELLY, RICHARD**
28

1 WADE TORKELSON, a/k/a WADE TORKELSON, JOANNE GARNEAU,
2 a/k/a JOANNE TORKELSON dba PROSPER FINANCIAL SOLUTIONS,
3 HOMELAND FINANCIAL SERVICES, NATIONAL SUPPORT SERVICES,
4 LLC, UNITED DEBT RECOVERY, LLC, FREEDOM FIRST FINANCIAL,
5 LLC, and USA DEBT CO, LLC, a/k/a USADEBTCO.COM, and each of them.

6 4. "Individual Defendants" refers to DENNIS CONNELLY,
7 RICHARD WADE TORKELSON, a/k/a WADE TORKELSON, and JOANNE
8 GARNEAU a/k/a JOANNE TORKELSON.

9 5. "Corporate Defendants" means Defendants HOMELAND
10 FINANCIAL SERVICES, NATIONAL SUPPORT SERVICES, LLC, UNITED
11 DEBT RECOVERY, LLC, FREEDOM FIRST FINANCIAL, LLC, and USA
12 DEBT CO, LLC, a/k/a USADEBTCO.COM..

13 6. "Receivership Entities" means Corporate Defendants and PROSPER
14 FINANCIAL SOLUTIONS. *AND FINANCIAL LIBERTY SERVICES, LLC.*

15 7. "Debt Negotiation" means

16 a. the business or practice of receiving, in return for consideration, or the
17 scheduled receipt, of a debtor's monies, or evidences thereof, for the
18 purpose of distribution among certain specified creditors in payment, or
19 partial payment, of the debtor's obligations; or

20 b. the business or practice of acting or offering or attempting to act as an
21 intermediary between a debtor and his creditors for the purpose of
22 settling, negotiating, or in any way altering the terms of payment of any
23 debt of a debtor.

24 8. The terms "and" and "or" have both conjunctive and disjunctive
25 meanings.

26 9. "Assisting others" means knowingly providing any of the following
27 goods or services to another person or entity:

28 a. performing customer service functions, including, but not limited to,

- 1 receiving or responding to consumer complaints; or
2 b. formulating or providing, or arranging for the formulation or provision
3 of, any telephone sales script or any other marketing material; or
4 c. providing names of, or assisting in the generation of, potential
5 customers; or
6 d. performing marketing services of any kind.

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8 **I.**

9 **PROHIBITED BUSINESS ACTIVITIES**

10 **IT IS THEREFORE ORDERED** that Defendants and their successors,
11 assigns, officers, agents, servants, employees, and attorneys, and those persons or
12 entities in active concert or participation with any of them who receive actual notice
13 of this Order by personal service or otherwise, whether acting directly or through
14 any corporation, subsidiary, division, or other device, in connection with the
15 advertising, marketing, promotion, offering for sale or sale of any service or
16 program providing debt negotiation, debt consolidation, debt reduction, debt
17 management, or credit repair, **are hereby temporarily restrained and enjoined**
18 from falsely representing, or from knowingly assisting others who are falsely
19 representing, any of the following:

- 20 A. That by enrolling in any debt-negotiation program, it is likely that
21 consumers will be able to pay off their credit-card or other unsecured
22 debts for a substantially reduced amount, such as 40 to 60 percent of
23 the total amount owed to their creditors; or
24 B. That consumers' creditors are likely to negotiate settlements under
25 which the creditors will agree to accept substantially less than the
26 amount the consumer owes on an account to settle the account; or
27 C. That any Defendant or any other person operating a debt-negotiation
28 program is able to negotiate more favorable settlements with

- 1 consumers' creditors than the consumer can negotiate himself; or
- 2 D. That any Defendant or any other person operating a debt-negotiation
- 3 program has an established relationship with any creditor that gives the
- 4 person an advantage in negotiating favorable settlements with the
- 5 creditor; or
- 6 E. That any negative information that appears on a consumer's credit
- 7 report as a result of participating in any debt-negotiation program will
- 8 be removed upon completion of the program or shortly thereafter; or
- 9 F. That any negative effect from participating in any debt-negotiation
- 10 program on a consumer's credit rating, credit score or credit report is
- 11 likely to be either minimal or short-term; or
- 12 G. That creditors are unlikely to sue consumers who participate in any
- 13 debt-negotiation program or who otherwise fail to make their minimum
- 14 monthly payments to their creditors; or
- 15 H. That participating in any debt-negotiation program is likely to end most
- 16 or all harassment or contact from creditors; or
- 17 I. That consumers' creditors will not contact the consumer after a
- 18 consumer sends the creditor a notice to cease contacting the consumer;
- 19 or
- 20 J. That consumers who participate in any debt-negotiation program do not
- 21 need to worry about balances on their credit accounts increasing while
- 22 they are in the program; or
- 23 K. That any Defendant or any other person will begin negotiating with all
- 24 of a consumer's creditors immediately upon the consumer's enrollment
- 25 in any debt-negotiation program; or
- 26 L. Any other fact material to a consumer's decision to participate in any
- 27 debt-negotiation, debt consolidation, debt reduction, debt management,
- 28 or credit repair program.

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II.

PROHIBITION AGAINST MATERIAL OMISSIONS

IT IS FURTHER ORDERED that Defendants and their successors, assigns, officers, agents, servants, employees, and attorneys, and those persons or entities in active concert or participation with any of them who receive actual notice of this Order by personal service or otherwise, whether acting directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, marketing, promotion, offering for sale or sale of any service or program providing debt negotiation, debt consolidation, debt reduction, or debt management, **are hereby temporarily restrained and enjoined** from failing to disclose, clearly and conspicuously, before consumers pay, or contract to pay, any fee for such service or program, all information material to a consumer's decision to participate in or purchase the service or program, including but not limited to the following:

- A. The likelihood that, if consumers stop paying their creditors, one or more of their creditors will sue the consumer;
- B. The fact that federal law prohibits creditors from misrepresenting a consumer's payment history to credit reporting agencies, and that creditors are permitted to report negative information such as delinquencies and charge-offs for seven years;

III.

ASSET FREEZE

IT IS FURTHER ORDERED that each of the Individual Defendants are hereby temporarily restrained and enjoined from:

- A. Transferring, converting, encumbering, selling, concealing, dissipating, disbursing, assigning, spending, withdrawing, or otherwise disposing of any funds, property, accounts, contracts, shares of stock or other assets, wherever located, that are:

- 1 1. Owned or controlled by any Individual Defendant, Receivership
2 Entity or their affiliates or subsidiaries (without limitation), in
3 whole or in part;
- 4 2. In the actual or constructive possession of any Individual
5 Defendant, Receivership Entity or their affiliates or subsidiaries
6 (without limitation); or
- 7 3. Owned, controlled by, or in the actual or constructive possession
8 of any corporation, partnership, or other entity directly or
9 indirectly owned, managed, or controlled by, or under common
10 control with, any Individual Defendant or Receivership Entity.

11 This section shall include, but not be limited to, any assets held for, on
12 behalf of, for the benefit of, or by any Individual Defendant,
13 Receivership Entity, or their affiliates or subsidiaries, at any bank or
14 savings and loan institution, or with any broker, dealer, escrow agent,
15 title company, commodity trading company, precious metal dealer, or
16 other financial institution or depository of any kind, including without
17 limitation the accounts listed on Attachment 1;

18 This section shall be construed to include, without limitation, assets or
19 accounts held in the name of or for the benefit of Financial Liberty Services, LLC,
20 TLT, DK Ventures, Robina Capital, Inc., Federal Reverse Mortgage, Inc., or any
21 similar name.

22 B. Opening or causing to be opened, unless accompanied by counsel for
23 the Commission, any safe deposit boxes titled in the name of any
24 Individual Defendant or Receivership Entity, or their companies,
25 affiliates or subsidiaries, or subject to access by any of these
26 Defendants or Receivership Entities.

27 C. Notwithstanding the provisions of this Paragraph, Defendants may
28 make transfers as otherwise ordered by this Court upon proper showing

