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16
17 **UNITED STATES DISTRICT COURT**
18 **CENTRAL DISTRICT OF CALIFORNIA**

19 **Federal Trade Commission,**

20 Plaintiff,

21 vs.

22
23 **Aaron Michael Jones**, also known as
24 Michael Aaron Jones, also known as
25 Mike Jones, individually and as an
26 owner, officer, or manager, or a *de facto*
27 owner, officer, or manager of Allorey,
Inc., Audacity LLC, Data World
28 Technologies, Inc., Dial Soft
Technologies, Inc., Digital Marketing
Solutions, Inc., Local Lighthouse Corp.,

No. _____

**Complaint for Civil Penalties,
Permanent Injunction and
Other Relief**

1 Savilo Support Services, Inc., Secure
2 Alliance Corp., Velocity Information
3 Corp., and World Access Media;

4 **Houston Fraley**, individually and as an
5 officer of Local Lighthouse Corp.;

6 **Tyler Hall**, individually and as an
7 officer of Local Lighthouse Corp. and
8 Secure Alliance Corp.;

9 **Kasia Kinaman**, individually and as an
10 officer of Digital Marketing Solutions,
11 Inc.;

12 **Eric Oakley**, individually and as an
13 officer of Local Lighthouse Corp. and
14 Velocity Information Corp.;

15 **Richard Paik**, individually, as an
16 officer of Local Lighthouse Corp. and
17 Secure Alliance Corp., and as an owner,
18 officer, or manager, or *de facto* owner,
19 officer, or manager of Allorey, Inc.,
20 Data World Technologies, Inc., Dial
21 Soft Technologies, Inc., Digital
22 Marketing Solutions, Inc., Savilo
23 Support Services, Inc., and Velocity
24 Information Corp.;

25 **Steven Stansbury**, also known as Steve
26 Stansbury, individually and as an officer
27 of Data World Technologies, Inc., and
28 Dial Soft Technologies, Inc.;

Raymund Verallo, also known as
Raymond Verallo, also known as Ray
Verallo, individually and as an officer of
Allorey, Inc. and Dial Soft
Technologies, Inc.;

1 **Andrew Yoshioka**, individually and as
2 an officer of Audacity LLC and World
3 Access Media;

4 **Allorey, Inc.**, a California corporation;

5 **Audacity LLC**, a California limited
6 liability company;

7 **Data World Technologies, Inc.**, a
8 California corporation;

9 **Dial Soft Technologies, Inc.**, a former
10 Nevada corporation;

11 **Digital Marketing Solutions, Inc.**, a
12 California corporation;

13 **Local Lighthouse Corp.**, a California
14 corporation;

15 **Savilo Support Services, Inc.**, a
16 California corporation;

17 **Secure Alliance Corp.**, a California
18 corporation;

19 **Velocity Information Corp.**, a former
20 California corporation; and

21 **World Access Media**, a California
22 corporation;

23 Defendants.
24

25 Plaintiff, the Federal Trade Commission (“FTC”), for its Complaint alleges:

26 1. The FTC brings this action under Sections 5(a), 5(m)(1)(A), 13(b),
27 and 16(a) of the FTC Act, 15 U.S.C. §§ 45(a), 45(m)(1)(A), 53(b), and 56(a), and
28 Section 6 of the Telemarketing and Consumer Fraud and Abuse Prevention Act (the

1 “Telemarketing Act”), 15 U.S.C. § 6105, to obtain monetary civil penalties,
2 permanent injunctive relief, and other relief for Defendants’ acts or practices in
3 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the FTC’s
4 Telemarketing Sales Rule (“TSR”), as amended, 16 C.F.R. Part 310.

5 INTRODUCTION

6 2. From at least March 2009 to May 2016, Defendants assisted their
7 numerous telemarketer clients in bombarding American consumers with billions of
8 robocalls—calls delivering prerecorded messages. Defendants also assisted their
9 clients in making calls to consumers whose telephone numbers were on the
10 National Do Not Call (“DNC”) Registry, and in spoofing caller ID information—
11 transmitting inaccurate caller ID numbers with their calls.

12 3. Defendants sold access to a certain computer-based telephone dialing
13 platform, referred to herein as the Dialing Platform. Telephone dialing platforms
14 allow users to use computer technology to blast out large volumes of calls.
15 Defendants’ clients used Defendants’ access to the Dialing Platform to blast out
16 billions of telemarketing robocalls, calls to consumers on the National DNC
17 Registry, and calls with spoofed caller ID information.

18 4. From at least March 2009 to July 2015, Defendants resold access to
19 the Dialing Platform and supported their clients’ use of the Dialing Platform
20 through an enterprise of various shell companies that all operated out of shared
21 offices on Red Hill Avenue in Orange County, California. From at least July 2015
22 to May 2016, most of the Defendants continued their business through another
23 enterprise of different shell companies that operated out Defendant Jones’s
24 residence in Orange County.

25 5. Defendants provided substantial assistance and support to their
26 telemarketer clients by giving their clients access to the Dialing Platform, which
27 allowed their clients to make billions of telemarketing robocalls, calls to
28

1 consumers on the National DNC Registry, and calls with spoofed caller ID
2 information, which violated the TSR.

3 6. Defendants knew or consciously avoided knowing that their clients
4 were making telemarketing calls that violated the TSR. Defendants knew that their
5 clients' calls delivered pre-recorded messages, sometimes at a rate of millions of
6 calls per day—a rate and volume of calls that could not be dialed or attended by
7 live operators. Defendants also helped their clients turn off automated features em-
8 bedded in auto-dialing software that would have prevented calls to numbers on the
9 National Do Not Call Registry, and helped them avoid dialing numbers associated
10 with law enforcement agencies or known class action plaintiffs.

11 7. Defendants' facilitation of each of their clients' illegal calls is itself a
12 violation of the TSR. Each Defendant is liable for his, her, or its part in an
13 enterprise that assisted unscrupulous telemarketers to subject American consumers
14 to billions of illegal telemarketing calls.

15 **JURISDICTION AND VENUE**

16 8. This Court has subject matter jurisdiction pursuant to 28 U.S.C.
17 §§ 1331, 1337(a), 1345, and 1355, and 15 U.S.C. §§ 45(a) and (m)(1)(A), 53(b),
18 and 56(a).

19 9. Venue is proper in this district under 28 U.S.C. §§ 1391(b)(1), (b)(2),
20 (c)(1), (c)(2), and (d), and 1395(a), and 15 U.S.C. § 53(b).

21 **PLAINTIFF**

22 10. The FTC is an independent agency of the United States government
23 created by statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the FTC
24 Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or
25 affecting commerce. The FTC also enforces the Telemarketing Act, 15 U.S.C.
26 §§ 6101-6108. Pursuant to the Telemarketing Act, the FTC promulgated and
27 enforces the TSR, 16 C.F.R. Part 310, which prohibits deceptive and abusive
28 telemarketing acts or practices.

1 California. Local Lighthouse transacts or has transacted business in this district and
2 throughout the United States.

3 18. Defendant **Savilo Support Services, Inc.** (“Savilo”) is a California
4 corporation with its principal place of business in Orange County, California.
5 Savilo transacts or has transacted business in this district and throughout the
6 United States.

7 19. Defendant **Secure Alliance Corp.** (“Secure Alliance”) is a California
8 corporation with its principal place of business in Orange County, California.
9 Secure Alliance transacts or has transacted business in this district and throughout
10 the United States.

11 20. Defendant **Velocity Information Corp.** (“Velocity Information”) is a
12 former California corporation, the principal place of business of which was in
13 Orange County, California. Velocity Information transacts or has transacted
14 business in this district and throughout the United States.

15 21. Defendant **World Access Media** (“World Access”) is a California
16 corporation with its principal place of business in Orange County, California.
17 World Access transacts or has transacted business in this district and throughout the
18 United States.

19 **Individual Defendants**

20 22. Defendant **Aaron Michael Jones**, also known as Michael Aaron
21 Jones, also known as Mike Jones, is an actual or *de facto* owner, officer, or
22 manager of each of the Corporate Defendants. At all times material to this
23 Complaint, acting alone or in concert with others, Jones has had the authority and
24 responsibility to prevent or correct the unlawful telemarketing practices of each of
25 the Corporate Defendants, and has formulated, directed, controlled, had the
26 authority to control, or participated in the acts and practices of each of the
27 Corporate Defendants, including the acts and practices set forth in this Complaint.
28 Jones resides in this district and, in connection with the matters alleged herein,

1 transacts or has transacted business in this district and throughout the United
2 States.

3 23. Defendant **Houston Fraley** is an officer of Local Lighthouse. At all
4 times material to this Complaint, acting alone or in concert with others, Fraley has
5 had the authority and responsibility to prevent or correct the unlawful telemarketing
6 practices of Local Lighthouse, and has formulated, directed, controlled, had the
7 authority to control, or participated in the acts and practices of Local Lighthouse,
8 including the acts and practices set forth in this Complaint. Fraley resides in this
9 district and, in connection with the matters alleged herein, transacts or has
10 transacted business in this district and throughout the United States.

11 24. Defendant **Tyler Hall** is an officer of Local Lighthouse and Secure
12 Alliance. At all times material to this Complaint, acting alone or in concert with
13 others, Hall has had the authority and responsibility to prevent or correct the
14 unlawful telemarketing practices of Local Lighthouse and Secure Alliance, and has
15 formulated, directed, controlled, had the authority to control, or participated in the
16 acts and practices of Local Lighthouse and Secure Alliance, including the acts and
17 practices set forth in this Complaint. Hall resides in this district and, in connection
18 with the matters alleged herein, transacts or has transacted business in this district
19 and throughout the United States.

20 25. Defendant **Kasia Kinaman** is an officer of Digital Marketing. At all
21 times material to this Complaint, acting alone or in concert with others, Kinaman
22 has had the authority and responsibility to prevent or correct the unlawful telemar-
23 keting practices of Digital Marketing, and has formulated, directed, controlled, had
24 the authority to control, or participated in the acts and practices of Digital Market-
25 ing, including the acts and practices set forth in this Complaint. Kinaman resides in
26 this district and, in connection with the matters alleged herein, transacts or has
27 transacted business in this district and throughout the United States.

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1 26. Defendant **Eric Oakley** is an officer of Local Lighthouse and Velocity
2 Information. At all times material to this Complaint, acting alone or in concert with
3 others, Oakley has had the authority and responsibility to prevent or correct the
4 unlawful telemarketing practices of Local Lighthouse and Velocity Information,
5 and has formulated, directed, controlled, had the authority to control, or
6 participated in the acts and practices of Local Lighthouse and Velocity Information,
7 including the acts and practices set forth in this Complaint. Oakley resides in this
8 district and, in connection with the matters alleged herein, transacts or has
9 transacted business in this district and throughout the United States.

10 27. Defendant **Richard Paik** is a an officer of Local Lighthouse and
11 Secure Alliance, and an actual or *de facto* owner, officer, or manager of Allorey,
12 Data World, Dial Soft, Digital Marketing, Savilo, and Velocity Information. At all
13 times material to this Complaint, acting alone or in concert with others, Paik has
14 had the authority and responsibility to prevent or correct the unlawful
15 telemarketing practices of Local Lighthouse, Secure Alliance, Allorey, Data World,
16 Dial Soft, Digital Marketing, Savilo, and Velocity Information, and has formulated,
17 directed, controlled, had the authority to control, or participated in the acts and
18 practices of Local Lighthouse, Secure Alliance, Allorey, Data World, Dial Soft,
19 Digital Marketing, Savilo, and Velocity Information, including the acts and
20 practices set forth in this Complaint. Paik resides in this district and, in connection
21 with the matters alleged herein, transacts or has transacted business in this district
22 and throughout the United States.

23 28. Defendant **Steven Stansbury** is an officer of Data World and Dial
24 Soft. At all times material to this Complaint, acting alone or in concert with others,
25 Stansbury has had the authority and responsibility to prevent or correct the
26 unlawful telemarketing practices of Data World and Dial Soft, and has formulated,
27 directed, controlled, had the authority to control, or participated in the acts and
28 practices of Data World and Dial Soft, including the acts and practices set forth in

1 this Complaint. Stansbury resides in this district and, in connection with the
2 matters alleged herein, transacts or has transacted business in this district and
3 throughout the United States.

4 29. Defendant **Raymund Verallo**, also known as Raymond Verallo, is an
5 officer of Allorey and Dial Soft. At all times material to this Complaint, acting
6 alone or in concert with others, Verallo has had the authority and responsibility to
7 prevent or correct the unlawful telemarketing practices of Allorey and Dial Soft,
8 and has formulated, directed, controlled, had the authority to control, or
9 participated in the acts and practices of Allorey and Dial Soft, including the acts
10 and practices set forth in this Complaint. Verallo resides in this district and, in
11 connection with the matters alleged herein, transacts or has transacted business in
12 this district and throughout the United States.

13 30. Defendant **Andrew Yoshioka** is an officer of Audacity and World
14 Access. At all times material to this Complaint, acting alone or in concert with
15 others, Yoshioka has had the authority and responsibility to prevent or correct the
16 unlawful telemarketing practices of Audacity and World Access, and has
17 formulated, directed, controlled, had the authority to control, or participated in the
18 acts and practices of Audacity and World Access, including the acts and practices
19 set forth in this Complaint. Yoshioka resides in this district and, in connection with
20 the matters alleged herein, transacts or has transacted business in this district and
21 throughout the United States.

22 **COMMON ENTERPRISE**

23 31. Defendants Allorey, Data World, Dial Soft, Digital Marketing, Local
24 Lighthouse, Savilo, Secure Alliance, and Velocity Information (the “Red Hill
25 Robocall Enterprise”) have operated as a common enterprise while engaging in the
26 unlawful acts and practices alleged below. From at least March 2009 to July 2015,
27 Defendants Allorey, Data World, Dial Soft, Digital Marketing, Local Lighthouse,
28 Savilo, Secure Alliance, Velocity Information, and all of the Individual Defendants

1 (the “Red Hill Robocall Enterprise Defendants”) have conducted the business
2 practices described below through the Red Hill Robocall Enterprise, an interrelated
3 network of companies that have common beneficial ownership, *de facto* officers
4 and managers, business functions, employees, and office locations, and that
5 commingled funds. Because the Red Hill Robocall Enterprise operated as a
6 common enterprise, each of the entities that comprise it is jointly and severally
7 liable for the acts and practices of the Red Hill Robocall Enterprise. At various
8 times material to this Complaint, each of the Individual Defendants has formulated,
9 directed, controlled, had the authority to control, or participated in the acts and
10 practices of one or more the entities that comprise the Red Hill Robocall
11 Enterprise.

12 32. Defendants Audacity and World Access (the “Jones Home Robocall
13 Enterprise”) have operated as a common enterprise while engaging in the unlawful
14 acts and practices alleged below. From at least July 2015 to May 2016, Defendants
15 Audacity, World Access, Jones, Fraley, Hall, Stansbury, Verallo, and Yoshioka (the
16 “Jones Home Robocall Enterprise Defendants”) have conducted the business
17 practices described below through the Jones Home Robocall Enterprise, two
18 interrelated companies that have common beneficial ownership, *de facto* officers
19 and managers, business functions, employees, and office locations, and that
20 commingled funds. Because the Jones Home Robocall Enterprise operated as a
21 common enterprise, each of the entities that comprise it is jointly and severally
22 liable for the acts and practices of the Jones Home Robocall Enterprise. At various
23 times material to this Complaint, Defendants Jones, Fraley, Hall, Stansbury,
24 Verallo, and Yoshioka have formulated, directed, controlled, had the authority to
25 control, or participated in the acts and practices of one or more the entities that
26 comprise the Jones Home Robocall Enterprise.

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28

1 **COMMERCE**

2 33. At all times material to this Complaint, Defendants have maintained a
3 substantial course of trade in or affecting commerce, as “commerce” is defined in
4 Section 4 of the FTC Act, 15 U.S.C. § 44.

5 **THE TELEMARKETING SALES RULE**
6 **AND THE NATIONAL DO NOT CALL REGISTRY**

7 34. Congress directed the FTC to prescribe rules prohibiting abusive and
8 deceptive telemarketing acts or practices pursuant to the Telemarketing Act, 15
9 U.S.C. §§ 6101-6108. The FTC adopted the original TSR in 1995, extensively
10 amended it in 2003, and amended certain provisions thereafter. 16 C.F.R. Part 310.

11 35. Among other things, the 2003 amendments to the TSR established a
12 do not call registry, maintained by the FTC (the “National DNC Registry” or
13 “Registry”), of consumers who do not wish to receive certain types of
14 telemarketing calls. Consumers can register their telephone numbers on the
15 Registry without charge either through a toll-free telephone call or online at
16 donotcall.gov.

17 36. Consumers who receive telemarketing calls to their registered
18 numbers can complain of Registry violations the same way they registered,
19 through a toll-free telephone call or online at donotcall.gov, or by otherwise
20 contacting law enforcement authorities.

21 37. Under the TSR, a “telemarketer” is any person who, in connection
22 with telemarketing, initiates or receives telephone calls to or from a customer or
23 donor. 16 C.F.R. § 310.2(cc). A “seller” means any person who, in connection with
24 a telemarketing transaction, provides, offers to provide, or arranges for others to
25 provide goods or services to the customer in exchange for consideration. *Id.*
26 § 301.2(aa).

1 38. The FTC allows sellers, telemarketers, and other permitted
2 organizations to access the Registry online at telemarketing.donotcall.gov, to pay
3 any required fee(s), and to download the numbers not to call.

4 39. Under the TSR, an “outbound telephone call” means a telephone call
5 initiated by a telemarketer to induce the purchase of goods or services or to solicit
6 a charitable contribution. 16 C.F.R. § 310.2(v).

7 40. The TSR prohibits sellers and telemarketers from initiating an
8 outbound telephone call to numbers on the Registry. 16 C.F.R.
9 § 310.4(b)(1)(iii)(B).

10 41. The TSR prohibits sellers and telemarketers from initiating an
11 outbound telephone call to any consumer when that consumer previously has stated
12 that he or she does not wish to receive an outbound telephone call made by or on
13 behalf of the seller whose goods or services are being offered. 16 C.F.R.
14 § 310.4(b)(1)(iii)(A).

15 42. The TSR requires that sellers and telemarketers transmit or cause to be
16 transmitted the telephone number of the telemarketer and, when made available by
17 the telemarketer’s carrier, the name of the telemarketer (“caller ID information”),
18 to any caller identification service in use by a recipient of a telemarketing call, or
19 transmit the customer service number of the seller on whose behalf the call is made
20 and, when made available by the telemarketer’s carrier, the name of the seller.
21 16 C.F.R. § 310.4(a)(8). Transmitting inaccurate caller ID information, or causing
22 inaccurate caller ID information to be transmitted, is commonly called spoofing.

23 43. As amended, effective September 1, 2009, the TSR prohibits initiating
24 an outbound telephone call that delivers a prerecorded message to induce the
25 purchase of any good or service unless the seller has obtained from the recipient of
26 the call an express agreement, in writing, that evidences the willingness of the
27 recipient of the call to receive calls that deliver prerecorded messages by or on
28 behalf of a specific seller. 16 C.F.R. § 310.4(b)(1)(v). The express agreement must

1 include the recipient's telephone number and signature, must be obtained after a
2 clear and conspicuous disclosure that the purpose of the agreement is to authorize
3 the seller to place prerecorded calls to such person, and must be obtained without
4 requiring, directly or indirectly, that the agreement be executed as a condition of
5 purchasing any good or service. *Id.* Calls delivering prerecorded messages are
6 commonly called robocalls.

7 44. It is a violation of the TSR for any person to provide substantial
8 assistance or support to any seller or telemarketer when that person knows or
9 consciously avoids knowing that the seller or telemarketer is engaged in any
10 practice that violates Sections 310.3(a), (c) or (d), or 310.4 of the TSR. 16 C.F.R.
11 § 310.3(b).

12 45. Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C.
13 § 6102(c), and Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation
14 of the TSR constitutes an unfair or deceptive act or practice in or affecting
15 commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

16 **DEFENDANTS' BUSINESS ACTIVITIES**

17 46. Defendants, at all relevant times, had exclusive rights to use, or re-sell
18 access to, the Dialing Platform for commercial purposes. Defendants, through the
19 Red Hill and Jones Home Robocall Enterprises, resold their exclusive rights to use
20 the Dialing Platform to their telemarketer clients. The Defendants also actively
21 assisted their clients in using that Dialing Platform, which their clients used to
22 make billions of telemarketing robocalls, calls to consumers whose phone numbers
23 were on the National DNC Registry, and calls with spoofed caller ID information.

24 **Background**

25 *The Dialing Platform*

26 47. The Dialing Platform is a computer-based telephone dialing platform
27 through which users can blast out large volumes of telephone calls, including
28 robocalls. Users of the Dialing Platform can "spoof" the caller ID that accompanies

1 the calls—that is, they can select any 10-digit phone number they want to appear as
2 the caller ID number that accompanies calls made using the platform.

3 48. The Dialing Platform was created by and is owned by nonparties to
4 this lawsuit, referred to herein as the Dialing Platform Provider.

5 49. Mike Jones first met the CEO of the Dialing Platform Provider in or
6 about the year 2001, when Jones’s telemarketing company Sound Media Group,
7 Inc. (“Sound Media”) became a client of the Dialing Platform Provider.

8 50. In or about the year 2005, Jones and the CEO of the Dialing Platform
9 Provider formed an agreement that most, if not all telemarketing calls through the
10 Dialing Platform would flow through Jones as a reseller. The Dialing Platform
11 Provider would contract directly only with non-commercial clients, such as schools
12 and political campaigns seeking to make informational or political calls.

13 51. Even before becoming the primary reseller of the Dialing Platform for
14 telemarketing purposes, but certainly since then, Jones has operated through
15 numerous corporate identities, in concert with numerous business associates.

16 *The Auto Warranty Enterprise*

17 52. From late 2006 through early 2008, Jones’s associates incorporated a
18 number of now defunct companies that functioned together as an enterprise
19 principally engaged in lead generation, through robocalls and other telemarketing,
20 for sellers of extended auto warranties (the “Auto Warranty Enterprise”).

21 53. Jones was not formally named as an officer of any of the Auto
22 Warranty Enterprise companies, but Jones’s late wife owned several of them, and
23 Jones has admitted to having control over others.

24 54. Each of the Individual Defendants except Andrew Yoshioka first
25 worked with Jones in the Auto Warranty Enterprise. Jones brought in Steve
26 Stansbury and also hired Houston Fraley. One of Jones’s partners recruited Eric
27 Oakley. Oakley brought in Richard Paik to become the Enterprise’s accountant.

28

1 And at various points the Enterprise also hired Ray Verallo, Tyler Hall, and Kasia
2 Kinaman.

3 55. The Auto Warranty Enterprise conducted business out of offices at
4 15991 Red Hill Avenue, in Tustin (Orange County), California.

5 56. In 2009 the Auto Warranty Enterprise became embroiled in litigation
6 over its telemarketing practices. First, in April 2009, Verizon Wireless sued several
7 of Jones's then-clients, alleging that they made robocalls and other calls in
8 violation of the Telephone Consumer Protection Act ("TCPA"). Then in May 2009,
9 the State of Texas sued two of the Auto Warranty Enterprise companies, alleging
10 that they also made robocalls and other calls in violation of the TCPA. Texas later
11 amended its complaint to add Jones as an individual defendant. Finally, in June
12 2009, AT&T named two of the Auto Warranty Enterprise companies as defendants
13 in yet another TCPA suit, again alleging that the defendants made robocalls.

14 **The Red Hill Robocall Enterprise**

15 57. As the activities of the Auto Warranty Enterprise ground to a halt
16 under scrutiny from government and private plaintiffs, Mike Jones and his
17 associates, Richard Paik, Eric Oakley, Houston Fraley, Ray Verallo, Tyler Hall,
18 Kasia Kinaman, and Steve Stansbury, moved on to a new venture: the Red Hill
19 Robocall Enterprise. Defendants operated the Red Hill Robocall Enterprise from at
20 least March 2009 to July 2015.

21 — 2009: Savilo and Data World Formed —

22 58. The Red Hill Robocall Enterprise began when Jones's late wife
23 incorporated Savilo in March 2009. Jones's late wife was the CEO, secretary, CFO,
24 sole director, and registered agent of Savilo as of at least March 2013. Paik
25 submitted forms to the California Secretary of State as Savilo's controller and
26 signed contracts as its CFO.

27

28

1 59. Savilo's registered address is 15991 Red Hill Avenue, Suite 202—the
2 Auto Warranty Enterprise's former offices. Savilo later conducted business out of
3 2975 Red Hill Avenue, Suite 100, in Costa Mesa (Orange County), California.

4 60. Savilo served as the initial corporate face of the Red Hill Robocall
5 Enterprise, taking over as Jones and his associates phased out the Auto Warranty
6 Enterprise. Savilo resold and supported access to the Dialing Platform to clients
7 who used it to make robocalls and other telemarketing calls to consumers. These
8 robocalls pitched home security systems, among other goods and services. Savilo's
9 clients paid in advance for Dialing Platform usage in increments of minutes of
10 calling time. All of the individuals working for the enterprise were employees of
11 Savilo, and many used @savilo.com e-mail addresses.

12 61. Stansbury incorporated Data World in June 2009. Stansbury was the
13 CEO, secretary, CFO, sole director, and registered agent of Data World as of at
14 least March 2013. Paik submitted forms to the California Secretary of State as Data
15 World's controller.

16 62. Data World's registered address is 2701 Harbor Boulevard, Suite E2-
17 204, in Costa Mesa. This address was formerly an AIM Mail Center. Stansbury, or
18 another Jones associate, rented mailbox 204 at this address in Data World's name.
19 Data World actually conducted business out of 15991 Red Hill Avenue, Suite 202,
20 and later out of 2975 Red Hill Avenue, Suite 100.

21 63. Initially, all of the Red Hill Robocall Enterprise's telemarketer clients
22 received access to the Dialing Platform through Data World's account. While the
23 Enterprise's clients generally paid Savilo for Dialing Platform access, the
24 Enterprise funneled the Dialing Platform Provider's share of the proceeds through
25 Data World. Data World paid the Dialing Platform Provider for the Enterprise's
26 aggregate calling time, ensuring that the Dialing Platform would be available for
27 the Enterprise's clients to make robocalls and other telemarketing calls to
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1 consumers. In August 2012, Data World and the Dialing Platform Provider
2 formalized their relationship in a contract.

3 64. Data World also engaged in another line of business—procuring and
4 selling dialing lists and other consumer data to telemarketers and sellers. Many of
5 Data World’s consumer data clients also purchased access to the Dialing Platform
6 through the Red Hill Robocall Enterprise, but some bought dialing lists and
7 consumer data to use on other dialing platforms.

8 — 2010: Velocity Information Formed —

9 65. Oakley incorporated Velocity Information in September 2010. Oakley
10 was the CEO, secretary, CFO, and sole director of Velocity Information as of at
11 least July 2011.

12 66. Velocity Information’s registered address is 2973 Harbor Boulevard,
13 Suite 263, in Costa Mesa. This address is a UPS Store. Oakley, or another Jones
14 associate, rented mailbox 263 at this address in Velocity Information’s name.
15 Velocity Information actually conducted business out of 15991 Red Hill Avenue,
16 Suite 202, and later out of 2975 Red Hill Avenue, Suite 100.

17 67. Velocity Information served as another conduit to move money
18 between the Red Hill Robocall Enterprise’s telemarketer clients and the Dialing
19 Platform Provider, although Velocity Information did not have a written contract
20 with the Dialing Platform Provider. Velocity Information received prepayment for
21 calling time from the Enterprise’s clients and remitted the Dialing Platform
22 Provider’s share to the Dialing Platform Provider, generally through Data World, to
23 keep the Enterprise’s clients’ robocalling and telemarketing operations going.

24 68. On January 17, 2012, Oakley dissolved Velocity Information.

25 69. In March 2012, a private plaintiff sued Velocity Information alleging
26 that Velocity Information made robocalls in violation of the TCPA.

27

28

— 2011: Local Lighthouse and Allorey Formed —

1
2 70. Oakley incorporated Local Lighthouse in March 2011. Oakley is the
3 CEO and a director, and Paik is the Secretary, CFO, and a director of Local
4 Lighthouse as of at least July 2015. Jones also has an ownership interest in Local
5 Lighthouse.

6 71. Local Lighthouse’s original registered address was 13681 Newport
7 Avenue, Suite 8513, in Tustin. That address is a UPS Store. Oakley, or another
8 Jones associate, rented mailbox [8-]513 at this address in Local Lighthouse’s name.
9 Local Lighthouse actually conducted business out of 15991 Red Hill Avenue, Suite
10 202, and later out of 2975 Red Hill Avenue, Suite 100, which is now its registered
11 address.

12 72. Local Lighthouse represented a new business venture for the Red Hill
13 Robocall Enterprise. Local Lighthouse sold search engine optimization (“SEO”)
14 and related services meant to increase the exposure of websites on the internet.
15 Local Lighthouse telemarketed its services through robocalls it made via the
16 Dialing Platform, through Data World’s—and later Dial Soft’s—Dialing Platform
17 accounts. Thus while Local Lighthouse did not initially engage in the Dialing
18 Platform resale and support business of the Red Hill Robocall Enterprise, it
19 became a major internal customer of the Enterprise’s services. And, later in Local
20 Lighthouse’s existence, it did enter into the Dialing Platform resale business.

21 73. Yoshioka first worked with the other Individual Defendants at Local
22 Lighthouse in the summer of 2011, though he did not work for the Red Hill
23 Robocall Enterprise on a permanent basis until May of 2013. Starting in May 2013,
24 Yoshioka first worked for Local Lighthouse and then Secure Alliance before
25 working for his own companies, Audacity and World Access.

26 74. Throughout 2015, numerous private plaintiffs sued Local Lighthouse
27 in at least six putative class actions, each alleging that Local Lighthouse made
28 robocalls in violation of the TCPA. In September 2015, Google sued Local

1 Lighthouse, alleging several counts based on allegations that Local Lighthouse
2 impersonates Google in its telemarketing.

3 75. Verallo incorporated Allorey in September 2011. Allorey is an
4 anagram of Verallo, swapping the “v” for a “y.” Verallo is the CEO, Secretary,
5 CFO, sole director, and registered agent of Allorey as of at least December 2013.

6 76. Allorey’s registered address is 2312 Park Avenue, Suite 123, in Tustin.
7 That address is a UPS Store. Verallo rented mailbox 123 at that address in
8 Allorey’s name. Allorey actually conducted business out of 15991 Red Hill
9 Avenue, Suite 202, and later out of 2975 Red Hill Avenue, Suite 100.

10 77. In addition to Allorey’s role in the business of the Red Hill Robocall
11 Enterprise, discussed below in paragraph 79, Allorey also paid many of Jones’s
12 personal expenses. Paik arranged these payments at Jones’s request.

13 78. As Local Lighthouse’s search engine optimization business grew
14 through 2011, it replaced Savilo as the corporate nucleus of the Red Hill Robocall
15 Enterprise. All of the individuals working for the Enterprise became employees of
16 Local Lighthouse, and many used @locallighthouse.com e-mail addresses. Local
17 Lighthouse paid all of the Individual Defendants, and it provided office space,
18 computers, and supplies to the Red Hill Robocall Enterprise. Paik continued to
19 provide accounting services and corporate governance for the entire Enterprise.

20 79. At the same time, Allorey began to emerge as the corporate face of the
21 Red Hill Robocall Enterprise’s business reselling access to and assisting with use
22 of the Dialing Platform. The Enterprise’s telemarketer clients paid Allorey for
23 access to the Dialing Platform, and Allorey paid the Dialing Platform Provider its
24 fees, although Allorey did not have any contractual relationships with the Dialing
25 Platform Provider. By moving money between the Enterprise’s clients and the
26 Dialing Platform Provider, Allorey allowed the Enterprise’s clients to continue
27 robocalling and making other telemarketing calls through the Dialing Platform.
28

1 80. Savilo also continued to play a similar role to Allorey through at least
2 2013, and Jones continued to use an @savilo.com e-mail address through 2015.
3 Data World continued to be the only member of the Enterprise with a written
4 contract with the Dialing Platform Provider until Dial Soft entered into contracts
5 with the Dialing Platform Provider in 2013. Data World also continued in the
6 consumer data business.

7 — 2012: Secure Alliance Formed —

8 81. Hall incorporated Secure Alliance in December 2012. Hall is the
9 CEO, secretary, CFO, and sole director of Secure Alliance as of at least April 2015.
10 Paik submitted forms to the California Secretary of State as Secure Alliance's
11 controller.

12 82. Secure Alliance's registered address is 14252 Culver Drive, Suite
13 A457, in Irvine (Orange County), California. This address is a UPS Store. Hall
14 rented mailbox 457 at that address in Secure Alliance's name. Secure Alliance
15 actually conducted business out of 15991 Red Hill Avenue, Suite 202, and later out
16 of 2975 Red Hill Avenue, Suite 100.

17 83. Secure Alliance served as another Dialing Platform client-facing
18 company, collecting revenues from telemarketers for their robocalling and other
19 telemarketing via the Dialing Platform. Secure Alliance generally then transferred
20 these revenues to Allorey or another company, which paid the Dialing Platform
21 Provider in turn. Secure Alliance also procured caller ID numbers for Enterprise
22 customers to share. Finally, pursuant to an agreement between Paik and Jones,
23 Secure Alliance paid certain of Jones's personal expenses, including his rent.

24 — 2013: Dial Soft Formed —

25 84. Dial Soft was incorporated in Nevada in June 2013. Dial Soft was
26 never qualified to conduct business in California under California law. Verallo was
27 the original president, secretary, treasurer, and sole director of Dial Soft; later
28 Stansbury assumed those roles.

1 85. Verallo's registered address as an officer of Dial Soft is 3843 South
2 Bristol Street, Suite 3186, in Santa Ana (Orange County), California. This address
3 is a UPS Store. Verallo rented mailbox [3-]186 at that address in Dial Soft's name.
4 Dial Soft actually conducted business out of 15991 Red Hill Avenue, Suite 202,
5 and later out of 2975 Red Hill Avenue, Suite 100.

6 86. Dial Soft gradually replaced Data World and Allorey as the Dialing
7 Platform-facing company in the Red Hill Robocall Enterprise. In June 2013, Dial
8 Soft entered into written contracts with the Dialing Platform Provider, signed by
9 Verallo as Dial Soft's President. Dial Soft eventually became the Enterprise's sole
10 payer to the Dialing Platform Provider. No matter which company in the Enterprise
11 collected the clients' payments for their robocalling and other telemarketing on the
12 Dialing Platform, all of the money owed to the Dialing Platform Provider was
13 funneled through Dial Soft for payment. By 2015, Dial Soft was nothing more than
14 a pass-through for almost every dollar of Dialing Platform fees the Enterprise paid.

15 87. On or about July 1, 2015, the State of Nevada revoked Dial Soft's
16 incorporation for failure to comply with Nevada corporate law.

17 — 2014: Digital Marketing Formed —

18 88. Kinaman incorporated Digital Marketing in October 2014. Digital
19 Marketing's registered address is 23785 El Toro, Suite 163 in Lake Forest (Orange
20 County), California. That address is a UPS Store. Kinaman rented mailbox 163 at
21 that address in Digital Marketing's name. Digital Marketing actually conducted
22 business out of 15991 Red Hill Avenue, Suite 202, and later out of 2975 Red Hill
23 Avenue, Suite 100.

24 89. At the beginning of 2015, Digital Marketing replaced all other
25 companies in the Red Hill Robocall Enterprise as the primary telemarketer client-
26 facing company. Most of the Enterprise's telemarketer clients paid Digital
27 Marketing for their robocalling and other telemarketing on the Dialing Platform.
28 Digital Marketing would extract the Enterprise's cut and pass the money on to Dial

1 Soft, which remitted almost every dollar it received from Digital Marketing to the
2 Dialing Platform Provider. Digital Marketing also took over paying Jones's
3 personal expenses, including credit card payments and his \$25,000 monthly rent
4 for a home in a gated community in Newport Coast (Orange County), California.
5 Though Fraley signed the lease for the home, Jones lived in it and Kinaman's
6 company paid the rent—all as arranged between Jones and Paik.

7 — 2015 —

8 90. The Red Hill Robocall Enterprise had trouble staying together through
9 2015. Local Lighthouse's SEO business continued to grow in size through 2014
10 and 2015. Oakley and Paik managed Local Lighthouse, and Paik continued to keep
11 the books for the rest of the Enterprise. Local Lighthouse started looking for an
12 alternative to the Dialing Platform for its own telemarketing, as a first step to
13 ending its dependence on other members of the Enterprise.

14 **The Jones Home Robocall Enterprise**

15 91. At the end of June 2015, the FTC issued Civil Investigative Demands
16 to Jones, Paik, Verallo, and the Dialing Platform Provider, among others. Eric
17 Oakley, Richard Paik, and Local Lighthouse subsequently cut ties with the other
18 companies in Red Hill Robocall Enterprise, and the Enterprise ended. Mike Jones
19 and his remaining associates including, at various times, Houston Fraley, Ray
20 Verallo, Tyler Hall, Steve Stansbury, and Andrew Yoshioka, moved on to a new
21 venture: the Jones Home Robocall Enterprise. These individual defendants
22 operated the Jones Home Robocall Enterprise from at least July 2015 to May 2016.

23 — 2015 —

24 92. After the breakup of the Red Hill Robocall Enterprise, Jones and his
25 associates needed new shell companies and corporate bank accounts through which
26 to move money from their telemarketing clients to the Dialing Platform Provider.
27 For about the next ten months, they used two companies: Audacity and World
28 Access, which together constitute the Jones Home Robocall Enterprise. As of the

1 breakup of the Red Hill Robocall Enterprise, the Jones Home Robocall Enterprise
2 immediately replaced it, providing the same telemarketing services to the same
3 clients.

4 93. Yoshioka and one of Jones's sons had previously organized Audacity
5 in January 2014. Audacity's registered address is a residence in Irvine where, at the
6 time of Audacity's organization, Jones and his son resided. Audacity later
7 conducted business out of Jones's subsequent residence in Newport Coast.

8 94. At the end of 2014, Yoshioka started working for Mike Jones as his
9 assistant and began to play a role in the financial operations of the Red Hill
10 Robocall Enterprise, including moving money from the Enterprise's telemarketer
11 clients to the Dialing Platform Provider through Dial Soft.

12 95. After the breakup of the Red Hill Robocall Enterprise, Yoshioka
13 began using Audacity's bank accounts to pay the Dialing Platform Provider.
14 Audacity immediately replaced Dial Soft as the sole payer to the Dialing Platform
15 Provider.

16 96. Yoshioka had previously incorporated World Access in April 2015.
17 World Access's registered address is 6789 Quail Hill Parkway, Suite 828, in Irvine.
18 That address is an AIM Mail Center. Yoshioka rented mailbox 828 at that address,
19 first in his own name, and then in World Access's name. World Access actually
20 conducted business out of Jones's residence in Newport Coast.

21 97. After World Access opened bank accounts, it eventually replaced
22 Audacity as the Jones Home Robocall Enterprise's payer to the Dialing Platform
23 Provider. In early- to mid-2016, Jones and his associates entered into talks with the
24 Dialing Platform Provider to negotiate new contracts to have World Access replace
25 Dial Soft in the 2013 contracts with the Dialing Platform Provider.

26 98. World Access also became a lead generator for a home security
27 system marketing and installation company, referred to herein as the Home
28 Security Company. The Home Security Company had previously settled a lawsuit

1 making more than 222 million outgoing telephone calls—again, mostly
2 robocalls—to phone numbers in all fifty states and the District of Columbia.

3 103. The Jones Home Robocall Enterprise simply assumed the operations
4 of the Red Hill Robocall Enterprise after the latter broke up, assisting many of the
5 same clients in placing the same kind and volume of calls.

6 104. At least half of the Red Hill and Jones Home Robocall Enterprises’
7 calls were for the purpose of soliciting sales from consumers, with a smaller
8 percentage allegedly made to small business owners. Among the Enterprises’
9 biggest customers were home security lead generators. The Enterprise allowed
10 these companies to use the Dialing Platform to make millions of robocalls
11 attempting to identify consumers in the market for a home security system. The
12 lead generators then sold qualifying consumers’ contact information to home
13 security companies or other marketers, resulting in even more calls to the
14 consumers. World Access also served as a home security lead generator, attempting
15 to procure leads to sell directly to the Home Security Company by making its own
16 lead generation calls on the Dialing Platform.

17 105. Approximately 32.9 million of the outbound calls from the first
18 quarter of 2014 were made to phone numbers listed on the National DNC Registry.
19 In the first quarter of 2015, approximately 40.3 million of the outbound calls were
20 made to phone number listed on the National Do Not Call Registry.

21 106. Calls facilitated by the Red Hill and Jones Home Robocall Enterprises
22 have led consumers to file more than 30,000 complaints with the FTC and its
23 enforcement partners. Consumers complain of receiving robocalls from the
24 Enterprises, and of receiving calls despite being on the National DNC Registry.

25 107. Defendants helped the Enterprises’ clients turn off automated features
26 embedded in the dialing platform that would have prevented calls to numbers on
27 the National Do Not Call Registry. They also helped their clients avoid dialing
28 numbers associated with law enforcement agencies or known class action

1 plaintiffs. For example, in December 2013 Jones sent an e-mail message to the
2 dialing platform provider with the subject “ftc staff dnc,” attaching a list of every
3 phone number at the Federal Trade Commission and asking for a report on whether
4 calls had been made to those numbers.

5 **VIOLATIONS OF THE TELEMARKETING SALES RULE**

6 108. Defendants have provided substantial assistance or support to
7 “telemarketer[s]” engaged in “telemarketing,” as defined by the TSR, 16 C.F.R.
8 § 310.2.

9 109. In numerous instances since September 1, 2009, the Red Hill and
10 Jones Home Robocall Enterprises’ clients made outbound telephone calls that
11 delivered prerecorded messages to induce the sale of goods or services when the
12 persons to whom these telephone calls were made had not expressly agreed, in
13 writing, to authorize the seller to place prerecorded calls to such person.

14 110. In numerous instances, the Red Hill and Jones Home Robocall
15 Enterprises’ clients initiated telephone calls to telephone numbers on the National
16 DNC Registry to induce the purchase of goods or services.

17 111. In numerous instances, the Red Hill and Jones Home Robocall
18 Enterprises’ clients did not transmit or cause to be transmitted to caller
19 identification services the telephone number and name of the telemarketer making
20 the call, or the customer service number and name of the seller on whose behalf the
21 telemarketer called.

22 112. Defendants, including the Red Hill Robocall Enterprise Defendants
23 and Jones Home Robocall Enterprise Defendants, knew, or consciously avoided
24 knowing, that their clients were making the calls described in paragraphs 109 to
25 111.

26 113. At various times between at least March 2009 and July 2015, Jones,
27 Paik, Oakley, Fraley, Verallo, Hall, Kinaman, and Stansbury provided substantial
28 assistance and support to the Red Hill Robocall Enterprise’s clients by, among

1 other things, engaging in the Enterprise and its conduct as set forth herein, even
2 though these Defendants knew or consciously avoided knowing that the
3 Enterprises' clients were engaged in conduct that violated Section 310.4 of the
4 TSR.

5 114. At various times between at least May 2013 and July 2015, Yoshioka
6 provided substantial assistance and support to the Red Hill Robocall Enterprise's
7 clients by, among other things, engaging in the Enterprise and its conduct as set
8 forth herein, even though Yoshioka knew or consciously avoided knowing that the
9 Enterprise's clients were engaged in conduct that violated Section 310.4 of the
10 TSR.

11 115. Between at least March 2009 and July 2015, Savilo provided
12 substantial assistance and support to the Red Hill Robocall Enterprise's clients by,
13 among other things, engaging in the Enterprise and its conduct as set forth herein,
14 even though Savilo knew or consciously avoided knowing that the Enterprise's
15 clients were engaged in conduct that violated Section 310.4 of the TSR.

16 116. Between at least June 2009 and July 2015, Data World provided
17 substantial assistance and support to the Red Hill Robocall Enterprise's clients by,
18 among other things, engaging in the Enterprise and its conduct as set forth herein,
19 even though Data World knew or consciously avoided knowing that the
20 Enterprise's clients were engaged in conduct that violated Section 310.4 of the
21 TSR.

22 117. Between at least September 2010 and January 2012, Velocity
23 Information provided substantial assistance and support to the Red Hill Robocall
24 Enterprise's clients by, among other things, engaging in the Enterprise and its
25 conduct as set forth herein, even though Velocity Information knew or consciously
26 avoided knowing that the Enterprise's clients were engaged in conduct that
27 violated Section 310.4 of the TSR.

28

1 118. Between at least March 2011 and July 2015, Local Lighthouse
2 provided substantial assistance and support to the Red Hill Robocall Enterprise's
3 clients by, among other things, engaging in the Enterprise and its conduct as set
4 forth herein, even though Local Lighthouse knew or consciously avoided knowing
5 that the Enterprise's clients were engaged in conduct that violated Section 310.4 of
6 the TSR.

7 119. Between at least September 2011 and July 2015, Allorey provided
8 substantial assistance and support to the Red Hill Robocall Enterprise's clients by,
9 among other things, engaging in the Enterprise and its conduct as set forth herein,
10 even though Allorey knew or consciously avoided knowing that the Enterprise's
11 clients were engaged in conduct that violated Section 310.4 of the TSR.

12 120. Between at least December 2012 and July 2015, Secure Alliance
13 provided substantial assistance and support to the Red Hill Robocall Enterprise's
14 clients by, among other things, engaging in the Enterprise and its conduct as set
15 forth herein, even though Secure Alliance knew or consciously avoided knowing
16 that the Enterprise's clients were engaged in conduct that violated Section 310.4 of
17 the TSR.

18 121. Between at least June 2013 and July 2015, Dial Soft provided
19 substantial assistance and support to the Red Hill Robocall Enterprise's clients by,
20 among other things, engaging in the Enterprise and its conduct as set forth herein,
21 even though Dial Soft knew or consciously avoided knowing that the Enterprise's
22 clients were engaged in conduct that violated Section 310.4 of the TSR.

23 122. Between at least October 2014 and July 2015, Digital Marketing
24 provided substantial assistance and support to the Red Hill Robocall Enterprise's
25 clients by, among other things, engaging in the Enterprise and its conduct as set
26 forth herein, even though Digital Marketing knew or consciously avoided knowing
27 that the Enterprise's clients were engaged in conduct that violated Section 310.4 of
28 the TSR.

1 127. Defendants' substantial assistance or support, as alleged in Paragraph
2 126, above, violates the TSR, 16 C.F.R. § 310.3(b).

3 **CONSUMER INJURY**

4 128. Consumers have suffered and will continue to suffer injury as a result
5 of Defendants' violations of the TSR. Absent injunctive relief by this Court,
6 Defendants are likely to continue to injure consumers and harm the public interest.

7 **THIS COURT'S POWER TO GRANT RELIEF**

8 129. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court
9 to grant injunctive and such other relief as the Court may deem appropriate to halt
10 and redress violations of any provision of law enforced by the FTC.

11 130. Section 5(m)(1)(A) of the FTC Act, 15 U.S.C. § 45(m)(1)(A), as
12 modified by Section 4 of the Federal Civil Penalties Inflation Adjustment Act of
13 1990, 28 U.S.C. § 2461, as amended, and as implemented by 16 C.F.R. § 1.98(d),
14 authorizes this Court to award monetary civil penalties of up to \$11,000 for each
15 violation of the TSR on or before February 9, 2009, *see* 16 C.F.R. § 1.98(d) (2009),
16 and up to \$16,000 for each violation of the TSR after February 9, 2009, *see* 16
17 C.F.R. § 1.98(d) (2016). Defendants' violations of the TSR were committed with
18 the knowledge required by Section 5(m)(1)(A) of the FTC Act, 15 U.S.C.
19 § 45(m)(1)(A).

20 131. This Court, in the exercise of its equitable jurisdiction, may award
21 ancillary relief to prevent and remedy any violation of the TSR and the FTC Act.

22 **PRAYER FOR RELIEF**

23 Wherefore, Plaintiff FTC, pursuant to Sections 5(a), 5(m)(1)(A), and 13(b)
24 of the FTC Act, 15 U.S.C. §§ 45(a), 45(m)(1)(A), and 53(b), and the Court's own
25 equitable powers, requests that this Court:

26 A. Enter judgment against Defendants and in favor of Plaintiff for each
27 violation alleged in this Complaint;

28

1 B. Award Plaintiff monetary civil penalties from each Defendant for
2 every violation of the TSR;


3 C. Enter a permanent injunction to prevent future violations of the TSR
4 and the FTC Act by Defendants;

5 D. Award Plaintiff the costs of bringing this action, as well as such other
6 and additional relief as the Court may determine to be just and proper.

7
8 Respectfully submitted,

9 **David C. Shonka**
10 Acting General Counsel

11
12 Dated: January 11, 2017

13 
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