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9 **UNITED STATES DISTRICT COURT**  
**CENTRAL DISTRICT OF CALIFORNIA**

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

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

**STIPULATED FINAL ORDER AS  
TO DEFENDANTS FINANCIAL  
LIBERTY SERVICES, LLC,  
HOMELAND FINANCIAL  
SERVICES, NATIONAL SUPPORT  
SERVICES, LLC, AND UNITED  
DEBT RECOVERY, LLC**

16  
17 **BACKGROUND**

18 On August 3, 2006, Plaintiff Federal Trade Commission (FTC or  
19 Commission), pursuant to Section 13(b) of the Federal Trade Commission Act (FTC  
20 Act), 15 U.S.C. § 53(b), filed a complaint against, inter alia, Defendants Homeland  
21 Financial Services (Homeland), National Support Services, LLC (NSS), and United  
22 Debt Recovery, LLC (UDR). On November 27, 2006, Plaintiff filed its First  
23 Amended Complaint, which, inter alia, added Financial Liberty Services (FLS) as a  
24 defendant.

25 Plaintiff FTC and Defendants FLS, Homeland, NSS and UDR (Defendants)  
26 have agreed to entry of this Stipulated Final Order for Permanent Injunction and  
27 Other Equitable Relief (Order) by the Court to resolve all charges against Defendants  
28 set forth in the First Amended Complaint and all matters in dispute between Plaintiff

1 and the Defendants in this action. Defendants have consented to entry of this Order  
2 without trial or adjudication of any issue of law or fact herein and have agreed that  
3 entry of this Order in the docket by the Court will constitute notice to them of the  
4 terms and conditions of the Order. Plaintiff and Defendants having requested the  
5 Court to enter this Order, the Court hereby finds and orders as follows:

6  
7 **FINDINGS OF FACT**

8 1. Defendants were properly served with the Complaint, Summons, TRO  
9 and First Amended Complaint in this matter.

10 2. Defendants were properly served with the Preliminary Injunction in this  
11 matter.

12 3. This Court has jurisdiction over the subject matter of the case and  
13 personal jurisdiction over Defendants. Venue in the Central District of California is  
14 proper.

15 4. The alleged actions of Defendants are in or affecting commerce, as  
16 defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

17 5. The allegations of the Complaint and the First Amended Complaint  
18 state a claim upon which relief can be granted against Defendants under Sections  
19 5(a) and 13(b) of the FTC Act, 15 U.S.C. §§ 45(a) and 53(b).

20 6. Plaintiff has the authority under Section 13(b) of the FTC Act, 15  
21 U.S.C. § 53(b), to seek the relief it has requested.

22 7. Defendants waive all rights to seek judicial review or otherwise  
23 challenge or contest the validity of this Order.

24 8. Defendants waive any claim that they may hold against the  
25 Commission, its employees, representatives or agents.

26 9. Defendants waive any claim that they may hold under the Equal Access  
27 to Justice Act, 28 U.S.C. § 2412 (as amended), concerning the prosecution of this  
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1 action to the date of this Order, and any rights to attorneys' fees that may arise under  
2 said provision of law.

3 10. All parties shall bear their own costs and attorneys' fees.

4 11. This Order is remedial in nature and shall not be construed as the  
5 payment of a fine, penalty, punitive assessment, or forfeiture.

6 12. Entry of this Order is in the public interest and in the interest of the  
7 parties.

### 8 **DEFINITIONS**

9 For purposes of this order, the following **Definitions** apply:

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

17 2. "**Receiver**" means Robb Evans & Associates, LLC.

18 3. "**Defendants**" means Defendants **FINANCIAL LIBERTY**  
19 **SERVICES, LLC, HOMELAND FINANCIAL SERVICES, NATIONAL**  
20 **SUPPORT SERVICES, LLC, UNITED DEBT RECOVERY, LLC**, their  
21 successors and assigns, and each of them.

22 4. "**Receivership Defendants**" means Defendants **FINANCIAL**  
23 **LIBERTY SERVICES, LLC, HOMELAND FINANCIAL SERVICES,**  
24 **NATIONAL SUPPORT SERVICES, LLC, UNITED DEBT RECOVERY, LLC**,  
25 as well as **FEDERAL REVERSE MORTGAGE**, and their successors and assigns,  
26 and each of them.

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1 5. The term “**debt negotiation**” means

2 a) the business or practice of receiving, in return for consideration,  
3 or the scheduled receipt, of an individual consumer’s monies, or  
4 evidences thereof, for the purpose of distribution among certain  
5 specified creditors in payment, or partial payment, of the  
6 individual consumer’s obligations; or

7 b) the business or practice of acting or offering or attempting to act  
8 as an intermediary between an individual consumer and his  
9 creditors for the purpose of settling, negotiating, or in any way  
10 altering the terms of payment of any debt of an individual  
11 consumer.

12 6. “**Assisting others**” means providing any of the following goods or  
13 services to another person or entity:

14 a) performing customer service functions, including, but not limited  
15 to, receiving or responding to consumer complaints; or

16 b) formulating or providing, or arranging for the formulation or  
17 provision of, any telephone sales script or any other marketing  
18 material; or

19 c) providing names of, or assisting in the generation of, potential  
20 customers; or

21 d) performing marketing services of any kind.

22  
23 **ORDER**

24 **I.**

25 **PROHIBITED BUSINESS ACTIVITIES**

26 **IT IS THEREFORE ORDERED** that Defendants, their agents, servants,  
27 employees, and attorneys, and those persons or entities who are in active concert or  
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1 participation with any of the Defendants and who receive actual notice of this Order  
2 by personal service or otherwise, whether acting directly or through any corporation,  
3 subsidiary, division, or other device, in connection with the advertising, marketing,  
4 promoting, offering for sale, or sale of any good or service, are hereby permanently  
5 restrained and enjoined from falsely representing, expressly or by implication, or  
6 from assisting others who are falsely representing, any of the following:

- 7       A. That by enrolling in any debt-negotiation program, it is likely that  
8       consumers will be able to pay off their credit-card or other unsecured  
9       debts for a substantially reduced amount, such as 40 to 60 percent of the  
10      total amount owed to their creditors; or
- 11      B. That consumers' creditors are likely to negotiate settlements under  
12      which the creditors will agree to accept substantially less than the  
13      amount the consumer owes on an account to settle the account; or
- 14      C. That the Defendant or its representatives or any other person operating a  
15      debt-negotiation program is able to negotiate more favorable settlements  
16      with consumers' creditors than the consumer can negotiate himself; or
- 17      D. That the Defendant or its representatives or any other person operating a  
18      debt-negotiation program has an established relationship with any  
19      creditor that gives the Defendant, representative, or person an advantage  
20      in negotiating favorable settlements with the creditor; or
- 21      E. That any negative information that appears on a consumer's credit  
22      report as a result of participating in any debt-negotiation program will  
23      be removed upon completion of the program or shortly thereafter; or
- 24      F. That any negative effect from participating in any debt-negotiation  
25      program on a consumer's credit rating, credit score or credit report is  
26      likely to be either minimal or short-term; or
- 27  
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- 1 G. That creditors are unlikely to sue consumers who participate in any  
2 debt-negotiation program or who otherwise fail to make their minimum  
3 monthly payments to their creditors; or
- 4 H. That participating in any debt-negotiation program is likely to end most  
5 or all harassment or contact from creditors; or
- 6 I. That consumer's creditors will stop harassing consumers or will not  
7 harass consumers who participate in any debt-negotiation program; or
- 8 J. That consumers' creditors will not contact the consumer after a  
9 consumer sends the creditor a notice to cease contacting the consumer;  
10 or
- 11 K. That consumers who participate in any debt-negotiation program do not  
12 need to worry about balances on their credit accounts increasing while  
13 they are in the program; or
- 14 L. That the Defendant or its representative or any other person will begin  
15 negotiating with all of a consumer's creditors immediately upon the  
16 consumer's enrollment in any debt-negotiation program; or
- 17 M. Any other fact material to a consumer's decision to participate in any  
18 debt-negotiation, debt reduction or debt management program; or
- 19 N. Any other fact material to a consumer's decision to purchase any good  
20 or service.

21 **II.**

22 **PROHIBITION AGAINST MATERIAL OMISSIONS**

23 **IT IS FURTHER ORDERED** that Defendants, their agents, servants,  
24 employees, and attorneys, and those persons or entities who are in active concert or  
25 participation with any of the Defendants and who receive actual notice of this Order  
26 by personal service or otherwise, whether acting directly or through any corporation,  
27 subsidiary, division, or other device, in connection with the advertising, promotion,  
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1 offering for sale or sale of debt negotiation services or credit-related products,  
2 programs or services, are hereby permanently restrained and enjoined from failing to  
3 disclose, clearly and conspicuously, prior to the time when a consumer purchases  
4 such service or product, all information material to a consumer's decision to buy any  
5 debt negotiation services or credit-related products, programs, or services, including  
6 but not limited to the following information, where appropriate:

7 A. The possibility that, if consumers stop paying their creditors, one or  
8 more of their creditors may sue the consumer;

9 B. The fact that federal law prohibits creditors from misrepresenting a  
10 consumer's payment history to credit reporting agencies, and that  
11 creditors are permitted to report accurate negative information such as  
12 delinquencies and charge-offs for seven years; and

13 C. The fact that when consumers stop paying their creditors, the balances  
14 on their credit accounts will increase as a result of: interest accruing on  
15 their accounts; increases to their interest rate; and the imposition of late  
16 fees and other charges.

17 **III.**

18 **RECEIVERSHIP**

19 **IT IS FURTHER ORDERED** that:

20 A. The Receiver shall continue serving as Receiver until further order of  
21 this Court, with all of the same rights, duties and powers as set forth in the October  
22 13, 2006 Preliminary Injunction which appointed Robb Evans & Associates as  
23 Permanent Receiver over Defendants.

24 B. The Receiver is expressly authorized and directed to engage in all  
25 reasonable means to collect any debts that are owed to any of the Receivership  
26 Defendants, including but not limited to any and all debts owed by Nationwide  
27 Support Services, LLC, or Joanne Garneau.

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1 C. The Receiver is further expressly authorized and directed to liquidate  
2 any and all remaining assets of the Receivership Defendants.

3 D. In addition to liquidating assets and collecting debts owed to  
4 Defendants, the Receiver shall finalize the affairs of the receivership estate as  
5 expeditiously as possible.

6 E. Upon finalization of all business of the receivership estate, including  
7 collection of all debts and liquidation of all assets, the Receiver shall submit a final  
8 report to the Court together with a request for termination of the receivership and  
9 discharge.

10 F. Upon termination of the receivership, the Receiver may dispose of any  
11 remaining records and documents of the Receivership Defendants as the Receiver  
12 sees fit.

13 **IV.**

14 **MONETARY RELIEF**

15 **IT IS FURTHER ORDERED** that:

16 A. Each of the Receivership Defendants, through the Receiver, shall pay to  
17 the FTC all funds that are in the Receivership Defendant's possession after payment  
18 of receivership fees and expenses approved by the Court;

19 1. Within five days after entry of this Order, the Receiver shall pay  
20 to the FTC all funds then in the Receivership Defendant's possession, less any funds  
21 that the Receiver deems necessary to hold in reserve for accrued but unpaid  
22 receivership fees and expenses, as well as anticipated future fees and expenses;

23 2. Within five days after entry of an order terminating the  
24 receivership (pursuant to Section III above), the Receiver shall pay to the FTC all  
25 remaining funds of the Receivership Defendants, less any fees and expenses that the  
26 Court has approved;

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1           B. All funds paid pursuant to this Paragraph shall be deposited into a fund  
2 administered by the Commission or its agent to be used for equitable relief, including  
3 but not limited to restitution and any attendant expenses for the administration of any  
4 restitution fund. In the event that direct restitution to consumers is wholly or  
5 partially impracticable or funds remain after restitution is completed, the  
6 Commission may apply any remaining funds for such other equitable relief  
7 (including consumer information remedies) as it determines to be reasonably related  
8 to the practices alleged in the Complaint. Any funds not used for such equitable  
9 relief shall be deposited to the Department of the Treasury as disgorgement and not  
10 as a fine or penalty. The Commission shall have full and sole discretion to:

- 11           1. Determine the criteria for participation by individual claimants in  
12           any consumer restitution program implemented pursuant to this  
13           Order;
- 14           2. Determine the manner and timing of any notices to be given to  
15           consumers regarding the existence and terms of such programs,  
16           and
- 17           3. Delegate any and all tasks connected with such restitution  
18           program to any individual, partnerships, or corporations; and pay  
19           reasonable fees, salaries, and expenses incurred thereby from the  
20           payments made pursuant to this Order;

21           C. Defendants expressly waive any rights they may possess to litigate the  
22 issue of monetary relief. Defendants acknowledge and agree that all money paid  
23 pursuant to this Order is irrevocably paid to the Commission for purposes of  
24 settlement between Plaintiff and Defendants; and

25           D. Defendants shall have no right to challenge the Commission's choice of  
26 remedies under this Paragraph.

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V.

**COMPLIANCE MONITORING**

**IT IS FURTHER ORDERED** that, for the purpose of monitoring and investigating compliance with any provision of this Order:

A. Within ten (10) days of receipt of written notice from a representative of the Commission, Defendants each shall submit additional written reports, which are true and accurate and sworn to under penalty of perjury; produce documents for inspection and copying; appear for deposition; and/or provide entry during normal business hours to any business location in each such Defendant's possession or direct or indirect control to inspect the business operation;

B. In addition, the Commission is authorized to use all other lawful means, including but not limited to the following:

1. Obtaining discovery from any person, without further leave of court, using the procedures prescribed by Fed. R. Civ. P. 30, 31, 33, 34, 36, 45, and 69; and
2. Posing as consumers and suppliers to Defendants, their employees, or any other entity managed or controlled in whole or in part by any Defendant, without the necessity of identification or prior notice; and

C. Defendants each shall permit representatives of the Commission to interview any employer, consultant, independent contractor, representative, agent, or employee who has agreed to such an interview, relating in any way to any conduct subject to this Order. The person interviewed may have counsel present.

*Provided, however,* that nothing in this Order shall limit the Commission's lawful use of compulsory process, pursuant to Sections 9 and 20 of the FTC Act, 15 U.S.C. §§ 49, 57b-1, to obtain any documentary material, tangible things, testimony, or information relevant to unfair or deceptive acts or practices in or affecting commerce (within the meaning of 15 U.S.C. § 45(a)(1)).

1 **VI.**

2 **COMPLIANCE REPORTING BY DEFENDANTS**

3 **IT IS FURTHER ORDERED** that, in order that compliance with the  
4 provisions of this Order may be monitored:

5 A. Defendants shall, for a period of five (5) years after the date of entry of  
6 this Order, notify the Commission of any changes in structure of any of the  
7 Defendants or any business entity that any Defendant directly or indirectly controls,  
8 or has an ownership interest in, that may affect compliance obligations arising under  
9 this Order, including but not limited to: incorporation or other organization; a  
10 dissolution, assignment, sale, merger, or other action; the creation or dissolution of a  
11 subsidiary, parent, or affiliate that engages in any acts or practices subject to this  
12 Order; or a change in the business name or address, at least thirty (30) days prior to  
13 such change, provided that, with respect to any proposed change in the business  
14 entity about which a Defendant learns less than thirty (30) days prior to the date such  
15 action is to take place, such Defendant shall notify the Commission as soon as is  
16 practicable after obtaining such knowledge;

17 B. One hundred eighty (180) days after the date of entry of this Order and  
18 annually thereafter for a period of five (5) years, Defendants shall each provide a  
19 written report to the FTC, which is true and accurate and sworn to under penalty of  
20 perjury, setting forth in detail the manner and form in which the Defendant has  
21 complied and is complying with this Order. This report shall include, but not be  
22 limited to:

- 23 1. A copy of each acknowledgment of receipt of this Order, obtained  
24 pursuant to Paragraph VIII.B, below; and  
25 2. Any other changes required to be reported under Subparagraph A of this  
26 Paragraph;

1 *Provided, however,* that this requirement shall not apply to the Receiver if the  
2 receivership has not been terminated as of 180 days after the date of entry of this  
3 Order;

4 C. Each Defendant shall notify the Commission of the filing of a  
5 bankruptcy petition by such Defendant within fifteen (15) days of filing;

6 D. For the purposes of this Order, Defendants shall, unless otherwise  
7 directed by the Commission's authorized representatives, send all reports and  
8 notifications required by this Order to the Commission by overnight courier, using  
9 the following address:

10 Associate Director of Enforcement  
11 Federal Trade Commission  
12 600 Pennsylvania Ave., N.W., Room NJ2122  
13 Washington, D.C. 20580

14 Re: **FTC v. Dennis Connelly et al.**,  
15 Civil Action No. SACV-06-0701 DOC

16 *Provided that,* in lieu of overnight courier, Defendants may send such reports  
17 or notifications by first-class mail, but only if Defendants contemporaneously send  
18 an electronic version of such report or notification to the Commission at:  
19 DEBrief@ftc.gov.

20 E. For purposes of the compliance reporting and monitoring required by  
21 this Order, the Commission is authorized to communicate directly with each  
22 Defendant.

## 23 VII.

### 24 RECORD KEEPING PROVISIONS

25 **IT IS FURTHER ORDERED** that, for a period of eight (8) years from the  
26 date of entry of this Order, Defendants, their agents, servants, employees, and  
27 attorneys, and those persons or entities who are in active concert or participation  
28 with any of the Defendants and who receive actual notice of this Order by personal

1 service or otherwise, are hereby restrained and enjoined from failing to create and/or  
2 retain the following records:

3 A. Accounting records that reflect the cost of goods or services sold,  
4 revenues generated, and the disbursement of such revenues;

5 B. Personnel records accurately reflecting: the name, address, email (if  
6 any) and telephone number of each person employed in any capacity by such  
7 business, including as an independent contractor; that person's job title or position;  
8 the date upon which the person commenced work; and the date and reason for the  
9 person's termination, if applicable;

10 C. Customer files containing the names, addresses, phone numbers, dollar  
11 amounts paid, quantity of items or services purchased, and description of items or  
12 services purchased, to the extent such information is obtained in the ordinary course  
13 of business;

14 D. Complaints and refund requests (whether received directly, indirectly or  
15 through any third party) and any responses to those complaints or requests;

16 E. Copies of all sales scripts, training materials, advertisements, website  
17 printouts, or other marketing materials; and

18 F. All records and documents necessary to demonstrate full compliance  
19 with each provision of this Order, including but not limited to, copies of  
20 acknowledgments of receipt of this Order, required by Paragraph VIII.B, below, and  
21 all reports submitted to the FTC pursuant to Paragraph VI.B, above.

22 **VIII.**

23 **DISTRIBUTION OF ORDER BY DEFENDANTS**

24 **IT IS FURTHER ORDERED** that, for a period of five (5) years from the  
25 date of entry of this Order, Defendants shall deliver copies of this Order as directed  
26 below:

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1 A. Each of the Defendants must deliver a copy of this Order to (1) all of its  
2 principals, officers, directors, and managers, (2) all of its employees, agents, and  
3 representatives who engage in conduct related to the subject matter of the Order, and  
4 (3) any business entity resulting from any change in structure set forth in Paragraph  
5 VI.A above. For current personnel, delivery shall be within five (5) days of service  
6 of this Order upon such Defendant. For new personnel, delivery shall occur prior to  
7 them assuming their responsibilities. For any business entity resulting from any  
8 change in structure set forth in Paragraph VI.A, delivery shall be at least ten (10)  
9 days prior to the change in structure.

10 B. Each of the Defendants must secure a signed and dated statement  
11 acknowledging receipt of the Order, within thirty (30) days of delivery, from all  
12 persons receiving a copy of the Order pursuant to this Paragraph.

13 **IX.**

14 **ACKNOWLEDGMENT OF RECEIPT OF ORDER**  
15 **BY DEFENDANTS**

16 **IT IS FURTHER ORDERED** that, within five (5) business days of receipt of  
17 this Order as entered by the Court, each Defendant must submit to the Commission a  
18 truthful sworn statement acknowledging receipt of this Order.

19 **X.**

20 **SEVERABILITY**

21 **IT IS FURTHER ORDERED** that the provisions of this Order are separate  
22 and severable from one another. If any provision is stayed or determined to be  
23 invalid, all of the remaining provisions shall remain in full force and effect.

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XI.

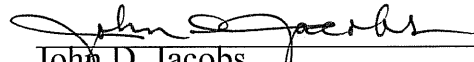
RETENTION OF JURISDICTION

IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this matter for purposes of construction, modification and enforcement of this Order.

SO STIPULATED:

PLAINTIFF:  
FEDERAL TRADE COMMISSION

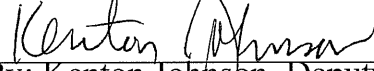
Dated: Sept. 15, 2008

  
John D. Jacobs  
Jennifer Larabee  
Barbara Y.K. Chun  
Attorneys for Plaintiff FTC

DEFENDANTS:

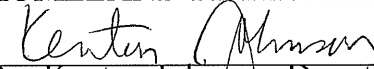
FINANCIAL LIBERTY SERVICES, LLC.

Dated: 8/13/, 2008

  
By: Kenton Johnson, Deputy Receiver  
Robb Evans & Associates, LLC  
Receiver of Financial Liberty Services, LLC

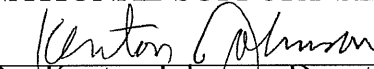
HOMELAND FINANCIAL SERVICES

Dated: 8/13/, 2008

  
By: Kenton Johnson, Deputy Receiver  
Robb Evans & Associates, LLC  
Receiver of Homeland Financial Services

NATIONAL SUPPORT SERVICES, LLC

Dated: 8/13/, 2008

  
By: Kenton Johnson, Deputy Receiver  
Robb Evans & Associates, LLC  
Receiver of National Support Services, LLC

UNITED DEBT RECOVERY, LLC

Dated: 8/13/, 2008

  
By: Kenton Johnson, Deputy Receiver  
Robb Evans & Associates, LLC  
Receiver of United Debt Recovery, LLC

SO ORDERED:

\_\_\_\_\_, 2008

\_\_\_\_\_  
The Honorable David O. Carter  
United States District Judge