

Krista K. Bush, WSBA 30881  
[kbush@ftc.gov](mailto:kbush@ftc.gov)  
Laura M. Solis, WSBA 36005  
[lsolis@ftc.gov](mailto:lsolis@ftc.gov)  
Richard McKewen, WSBA 45041  
[rmckewen@ftc.gov](mailto:rmckewen@ftc.gov)  
Connor Shively, WSBA 45041  
[cshively@ftc.gov](mailto:cshively@ftc.gov)  
Federal Trade Commission  
915 Second Ave., Suite 2896  
Seattle, WA 98174  
Tel: 206-220-6350  
Fax: 206-220-6366  
Attorneys for Plaintiff  
Federal Trade Commission

UNITED STATES DISTRICT COURT  
DISTRICT OF OREGON  
MEDFORD DIVISION

FEDERAL TRADE COMMISSION,  
Plaintiff,

v.

Case No. 1:16-cv-00720

COMPLAINT FOR INJUNCTIVE AND  
EQUITABLE RELIEF

ADEPT MANAGEMENT, INC., an  
Oregon corporation; ANCHOR  
PUBLISHING GROUP, INC., a New  
York corporation; ASSOCIATED  
PUBLISHERS NETWORK, INC., an  
Oregon corporation; ATLAS  
BUSINESS CONSULTING LLC, an  
Oregon limited liability company;  
CLARITY GROUP, INC., an Oregon  
corporation; CONSOLIDATED  
PUBLISHERS EXCHANGE, INC., an  
Oregon corporation, also doing  
business as PREMIER  
SUBSCRIPTION SERVICES and  
PROCESSING EXPRESS  
SOLUTIONS; CROWN RESOURCE  
MANAGEMENT LLC, a Nevada

limited liability company;  
CUSTOMER ACCESS SERVICES,  
INC., an Oregon corporation;  
EXPRESS PUBLISHERS SERVICE,  
INC., an Oregon corporation also doing  
business as ASSOCIATED BILLING  
SERVICE, ASSOCIATED  
PERIODICAL NETWORK,  
ASSOCIATED PUBLISHERS  
READERSHIP, BILLING SERVICES  
OF CIRCULATION, CIRCULATION  
BILLING MARKETPLACE,  
CIRCULATION NETWORK  
SERVICES, GLOBAL BILLING  
SERVICE, LAKESHORE  
PUBLISHERS BILLING,  
MAGAZINE BILLING NETWORK,  
MAGAZINE DISTRIBUTION  
MARKETPLACE, MAGAZINE  
PAYMENT PROCESSING,  
NATIONAL MAGAZINE  
MARKETPLACE, NATIONAL  
MAGAZINE NETWORK,  
PUBLICATION NETWORK  
SERVICES, PUBLISHERS BILLING  
MARKETPLACE, PUBLISHERS  
DISTRIBUTION NETWORK,  
PUBLISHERS MAGAZINE  
SERVICE, READERS MAGAZINE  
SERVICES, READERS PAYMENT  
NETWORK, SUBSCRIPTION  
BILLING AGENCY, SUBSCRIPTION  
BILLING NETWORK, UNITED  
BILLING SERVICE, and UNITED  
PUBLISHERS AGENCY; HCG, INC.,  
an Oregon corporation; HENRY  
CRICKET GROUP, LLC, a New York  
limited liability company; HOYAL &  
ASSOCIATES, INC., an Oregon  
corporation; LIBERTY PUBLISHERS  
SERVICE, INC., a New York  
corporation, also doing business as  
ALLIED PUBLISHING SERVICES,  
AMERICAN CONSUMER  
PUBLISHERS ASSOCIATION,  
ASSOCIATED PUBLISHERS

SERVICES, BILLING SERVICES OF AMERICA, BRADFORD PUBLISHING SERVICE, CIRCULATION BILLING SERVICES, GLOBAL PUBLISHERS CENTER, LAKE SHORE PUBLISHERS SERVICE, MAGAZINE BILLING SERVICES, MAGAZINE DISTRIBUTION SERVICE, MAGAZINE PAYMENT SERVICES, MAGAZINE SUBSCRIBER SERVICES, MAGAZINE SUBSCRIPTIONS CENTER, NATIONAL MAGAZINE SERVICES, PERIODICAL BILLING SERVICES, PLATINUM SUBSCRIPTION SERVICE, PUBLICATION SERVICE NETWORKS, PUBLISHERS ACCESS SERVICES, PUBLISHERS BILLING EXCHANGE, PUBLISHERS BILLING SERVICES, PUBLISHERS CONSOLIDATED SUBSCRIPTION SERVICES, PUBLISHERS DISTRIBUTION CENTER, PUBLISHERS EDUCATION SERVICES, PUBLISHERS MAGAZINE BILLING, PUBLISHERS MAGAZINE PAYMENT, PUBLISHERS MARKETPLACE SERVICES, PUBLISHERS NETWORK EXCHANGE, PUBLISHERS PAYMENT SERVICES, PUBLISHERS PERIODICAL SERVICE, PUBLISHERS PROCESSING SERVICE, PUBLISHERS SERVICES EXCHANGE, READERS BILLING SERVICES, READERS PAYMENT SERVICE, SEASCAPE PUBLISHERS NETWORK, SLO CALL CENTER, SUBSCRIPTION BILLING SERVICE, SUBSCRIPTION PAYMENT EXCHANGE, SUBSCRIPTION PAYMENT SERVICES, and UNITED

PUBLISHERS SERVICES;  
MAGAZINE CLEARING  
EXCHANGE, INC., an Oregon  
corporation; MAGAZINE LINK, INC.,  
an Oregon corporation;  
MAXIMILLIAN, INC., an Oregon  
corporation, also doing business as  
MAXMILLIAN, INC.; NORTH WEST  
DATA SERVICES LLC, an Oregon  
limited liability company; PPP  
MAGAZINES, INC., an Oregon  
corporation; PUBLISHERS  
PAYMENT PROCESSING, INC., a  
New York corporation; PUBLISHERS  
PAYMENT PROCESSING, INC., an  
Oregon corporation; REALITY KATS,  
LLC, an Oregon limited liability  
company; SPECIALTIES, INC., an  
Oregon corporation; SUBSCRIPTION  
HOUSE AGENCY, INC., an Oregon  
corporation; UNITED PUBLISHERS  
EXCHANGE, INC., a Nevada  
corporation also doing business as  
ASSOCIATED PUBLISHERS  
NETWORK, CIRCULATION  
BILLING NETWORK, MAGAZINE  
BILLING ASSOCIATES, PREMIER  
SUBSCRIPTION NETWORK,  
PUBLISHERS BILLING NETWORK  
and PUBLISHERS MAGAZINE  
EXCHANGE; WINEOCEROS WINE  
CLUB, INC., an Oregon corporation;  
LINDA BABB, individually and as an  
officer of ANCHOR PUBLISHING  
GROUP, INC.; SHANNON BACON,  
a/k/a SHANNON BALERO and  
SHANNON GORDON, individually  
and as an officer of CLARITY  
GROUP, INC., CONSOLIDATED  
PUBLISHERS EXCHANGE, INC.,  
PPP MAGAZINES, INC.,  
SPECIALTIES, INC. AND  
SUBSCRIPTION HOUSE AGENCY,  
INC.; JEFFREY HOYAL, individually  
and as an officer of HOYAL &  
ASSOCIATES, INC.; LORI HOYAL,

individually and as an officer of HOYAL & ASSOCIATES, INC.; COLLEEN KAYLOR, individually and as an officer of CUSTOMER ACCESS SERVICES, INC., MAGAZINE CLEARING EXCHANGE, INC., and MAGAZINE LINK, INC.; LAURA LOVRIEN, a/k/a LAURA BABB, individually and as an officer of ATLAS BUSINESS CONSULTING LLC, LIBERTY PUBLISHERS SERVICE, INC., NORTH WEST DATA SERVICES LLC, and UNITED PUBLISHERS EXCHANGE, INC.; NOEL PARDUCCI, a/k/a NOEL LITTLEFIELD and NOELLE LITTLEFIELD, individually and as an officer of HCG, INC., HENRY CRICKET GROUP, LLC, MAXIMILLIAN, INC., PUBLISHERS PAYMENT PROCESSING, INC., REALITY KATS, LLC, and WINEOCEROS WINE CLUB, INC.; LYDIA PUGSLEY, a/k/a LYDIA BABB, individually and as an officer of ADEPT MANAGEMENT, INC. and CROWN RESOURCE MANAGEMENT; DENNIS SIMPSON, individually and as an officer of REALITY KATS, LLC; WILLIAM STRICKLER, individually and as an officer of EXPRESS PUBLISHERS SERVICE, INC. and WINEOCEROS WINE CLUB, INC.;  
Defendants.

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

1. The FTC brings this action under Section 13(b) of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. § 53(b), to obtain preliminary and permanent injunctive relief, rescission or reformation of contracts, restitution, the refund of monies paid, disgorgement of ill-

gotten monies, and other equitable relief for Defendants' acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

### **Summary of the Case**

2. Defendants engage in a nationwide campaign that relies on misrepresentations to solicit newspaper renewals and new subscriptions from consumers. Through mass mailings that look like subscription notices, Defendants represent that they are authorized by, or acting on behalf of, the publishers to obtain and renew subscriptions. In numerous instances, however, such representations are false or misleading. Many publishers of newspapers have not authorized Defendants to solicit subscriptions or renewals or to accept payments from consumers for subscriptions or renewals. Many publishers have refused to accept orders from Defendants and have attempted to stop Defendants' unauthorized solicitations. Defendants have received multiple "cease and desist" letters directing them to stop taking unauthorized subscription orders for more than 375 newspapers. Defendants' practices have prompted thousands of consumer complaints. Many consumers experienced delivery problems or delays or they did not receive the requested newspapers at all. Some consumers paid twice for the same subscription and some complained about what appeared to be substantially inflated renewal rates. Many consumers attempted to cancel payments to Defendants, but were unsuccessful or they received only a partial refund. Some consumers received refunds only after much effort.

3. Defendants' deceptive conduct has caused consumer injury and violated Section 5 of the FTC Act, 15 U.S.C. § 45(a).

### **Jurisdiction and Venue**

4. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345, and 15 U.S.C. §§ 45(a) and 53(b).

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

### **Plaintiff**

6. The FTC is an independent agency of the United States Government created by statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting commerce.

7. The FTC is authorized to initiate federal district court proceedings, by its own attorneys, to enjoin violations of the FTC Act and to secure such equitable relief as may be appropriate in each case, including rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies. 15 U.S.C. § 53(b).

### **Defendants**

#### Corporate Defendants

8. Defendant **Adept Management, Inc. (“Adept”)** is an Oregon corporation with its principal place of business at 625 Brownsboro-Meridian Road, Eagle Point, Oregon 97524. Adept transacts or has transacted business in this district and throughout the United States.

9. Defendant **Anchor Publishing Group, Inc. (“Anchor”)** is a New York corporation with its principal place of business at 711 Medford Center, Medford, Oregon 97504. Anchor transacts or has transacted business in this district and throughout the United States.

10. Defendant **Associated Publishers Network, Inc. (“Associated”)** is an Oregon corporation with its principal place of business at 2080 Antelope Road #339, White City, Oregon 97503. Associated transacts or has transacted business in this district and throughout the United States.

11. Defendant **Atlas Business Consulting LLC (“Atlas”)** is an Oregon limited liability company with its principal place of business at 7610 Torrey Pines Terrace, Eagle Point, Oregon 97524. Atlas transacts or has transacted business in this district and throughout the United States.

12. Defendant **Clarity Group, Inc. (“Clarity Group”)** is an Oregon corporation with its principal place of business at 555 Old Trail Creek Road, Trail, Oregon 97503. Clarity Group has also operated from 355 Industrial Circle, White City, Oregon 97503. Clarity Group transacts or has transacted business in this district and throughout the United States.

13. Defendant **Consolidated Publishers Exchange, Inc. (“CPE”)**, also doing business as Premier Subscription Services and Processing Express Solutions, is an Oregon corporation with its principal place of business at 555 Old Trail Creek Road, Trail, Oregon 97541. CPE has also conducted business at 355 Industrial Circle, White City, Oregon 97503. CPE transacts or has transacted business in this district and throughout the United States.

14. Defendant **Crown Resource Management, LLC (“Crown”)** is a Nevada limited liability company with a registered agent address of 3064 Silver Sage Dr. Suite 150, Carson City, Nevada 89701. Crown has also operated from 625 Brownsboro-Meridian Road, Eagle Point, Oregon 97524. Crown transacts or has transacted business in this district and throughout the United States.

15. Defendant **Customer Access Services, Inc. (“CAS”)** is an Oregon corporation with its principal place of business at 7890 27<sup>th</sup> Street, White City, Oregon 97503. CAS has also operated from 355 Industrial Circle, White City, Oregon 97503. CAS transacts or has transacted business in this district and throughout the United States.

16. Defendant **Express Publishers Service, Inc. (“Express”)**, also doing business as Associated Billing Service, Associated Periodical Network, Associated Publishers Readership, Billing Services of Circulation, Circulation Billing Marketplace, Circulation Network Services, Global Billing Service, Lakeshore Publishers Billing, Magazine Billing Network, Magazine Distribution Marketplace, Magazine Payment Processing, National Magazine Marketplace, National Magazine Network, Publication Network Services, Publishers Billing Marketplace, Publishers Distribution Network, Publishers Magazine Service, Readers Magazine Services, Readers Payment Network, Subscription Billing Agency, Subscription Billing Network, United Billing Service, and United Publishers Agency, is an Oregon corporation with its principal place of business at 2728 West Main Street #102, Medford, Oregon 97601. Express employees also work at an office at 625 Brownsboro-Meridian Road, Eagle Point, Oregon 97524. Express transacts or has transacted business in this district and throughout the United States.

17. Defendant **HCG, Inc. (“HCG Inc.”)** is an Oregon corporation with its principal place of business at 3922 Bellinger Lane, Medford, Oregon 97501. HCG Inc. transacts or has transacted business in this district and throughout the United States.

18. Defendant **Henry Cricket Group, LLC (“HCG LLC”)** is a New York limited liability company with its principal place of business at 3922 Bellinger Lane, Medford, Oregon 97501 and a registered agent address of Lennon & Klein, P.C., 410 Park Ave., 15th Fl., New York, NY 10022. HCG LLC transacts or has transacted business in this district and throughout the United States.

19. Defendant **Hoyal & Associates, Inc. (“H&A”)** is an Oregon corporation with its principal place of business at 4184 Bellinger Lane, Medford, Oregon 97501. H&A transacts or has transacted business in this district and throughout the United States.

20. Defendant **Liberty Publishers Service, Inc. (“Liberty”)** also doing business as Allied Publishing Services, American Consumer Publishers Association, Associated Publishers Services, Billing Services of America, Bradford Publishing Service, Circulation Billing Services, Global Publishers Center, Lake Shore Publishers Service, Magazine Billing Services, Magazine Distribution Service, Magazine Payment Services, Magazine Subscriber Services, Magazine Subscriptions Center, National Magazine Services, Periodical Billing Services, Platinum Subscription Service, Publication Service Networks, Publishers Access Services, Publishers Billing Exchange, Publishers Billing Services, Publishers Consolidated Subscription Services, Publishers Distribution Center, Publishers Education Services, Publishers Magazine Billing, Publishers Magazine Payment, Publishers Payment Services, Publishers Periodical Service, Publishers Processing Service, Publishers Marketplace Services, Publishers Network Exchange, Publishers Services Exchange, Readers Billing Services, Readers Payment Service, Seascope Publishers Network, Slo Call Center, Subscription Billing Service, Subscription Payment Exchange, Subscription Payment Services, and United Publishers Services, is a New York corporation with its principal place of business at 1750 Delta Waters Road 102-204, Medford, Oregon 97501. Liberty employees also worked at an office at 625 Brownsboro- Meridian Road, Eagle Point, Oregon 97524. Liberty transacts or has transacted business in this district and throughout the United States.

21. Defendant **Magazine Clearing Exchange, Inc. (“MCE”)** is an Oregon corporation with its principal place of business at 7890 27<sup>th</sup> Street, White City, Oregon 97503. MCE has also operated from 355 Industrial Circle, White City, Oregon 97503. MCE transacts or has transacted business in this district and throughout the United States.

22. Defendant **Magazine Link, Inc. (“Magazine Link”)** is an Oregon corporation with its principal place of business at 7890 27th Street, White City, Oregon 97503. Magazine Link has also operated from 355 Industrial Circle, White City, Oregon 97503. Magazine Link transacts or has transacted business in this district and throughout the United States.

23. Defendant **Maximillian, Inc. (“Maximillian”), also doing business as Maximillian, Inc.,** is an Oregon corporation with its principal place of business at 107 Monterey Drive, Medford, Oregon 97504. Maximillian transacts or has transacted business in this district and throughout the United States.

24. Defendant **North West Data Services LLC (“North West Data”)** is an Oregon limited liability corporation with its principal place of business at 1750 Worthington Road, Eagle Point, Oregon 97524. North West Data transacts or has transacted business in this district and throughout the United States.

25. Defendant **PPP Magazines, Inc. (“PPP Magazines”)** is an Oregon corporation with its principal place of business at 355 Industrial Circle, White City, Oregon 97503. PPP Magazines also does business at 555 Old Trail Creek Road, Trail, Oregon 97503. PPP Magazines transacts or has transacted business in this district and throughout the United States.

26. Defendant **Publishers Payment Processing, Inc. (“Publishers Payment NY”)** is a New York corporation with its principal place of business at 355 Industrial Circle, White City, Oregon 97503 and a registered agent address of Lennon & Klein, P.C., 410 Park Ave., 15th Fl., New York, NY 10022. Publishers Payment NY transacts or has transacted business in this district and throughout the United States.

27. Defendant **Publishers Payment Processing, Inc. (“Publishers Payment OR”)** is an Oregon corporation with its principal place of business at 355 Industrial Circle, White City,

Oregon. Publishers Payment OR transacts or has transacted business in this district and throughout the United States.

28. Defendant **Reality Kats, LLC (“Reality Kats”)** is an Oregon limited liability company with its principal place of business at 3976 Bellinger Lane, Medford, Oregon 97501. Reality Kats transacts or has transacted business in this district and throughout the United States.

29. Defendant **Specialties, Inc. (“Specialties”)** is an Oregon corporation with its principal place of business at 555 Old Trail Creek Road, Trail, Oregon 97503. Specialties has also operated from 355 Industrial Circle, White City, Oregon 97503. Specialties transacts or has transacted business in this district and throughout the United States.

30. Defendant **Subscription House Agency, Inc. (“Subscription House”)** is an Oregon corporation with its principal place of business at 555 Old Trail Creek Road, Trail, Oregon 97503. Subscription House has also operated from 355 Industrial Circle, White City, Oregon 97503. Subscription House transacts or has transacted business in this district and throughout the United States.

31. Defendant **United Publishers Exchange, Inc. (“United”)**, also doing business as Associated Publishers Network, Circulation Billing Network, Magazine Billing Associates, Premier Subscription Network, Publishers Billing Network, and Publishers Magazine Exchange, is a Nevada corporation with its principal place of business at 850 S. Boulder Hwy #355, Henderson, Nevada 89015-7564. United has also operated from 355 Industrial Circle, White City, Oregon 97503, 7610 Torrey Pines Terrace, Eagle Point, Oregon 97524, and 625 Brownsboro- Meridian Road, Eagle Point, Oregon 97524. United transacts or has transacted business in this district and throughout the United States.

32. Defendant **Wineoceros Wine Club, Inc. (“Wineoceros”)** is an Oregon corporation with its principal place of business at 2989 Thompson Creek Road, Jacksonville, Oregon 97530. Wineoceros transacts or has transacted business in this district and throughout the United States.

Individual Defendants

33. Defendant **Linda Babb** (“Babb”) is or has been the President, Secretary, and Registered Agent of Anchor. At times material to this Complaint, acting alone or in concert with others, she has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of Anchor. Defendant Babb resides in this district and, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

34. Defendant **Shannon Bacon**, also known as Shannon Balero and as Shannon Gordon (“Bacon”), is or has been an officer of Clarity Group (President, Secretary, and Registered Agent), CPE (President, Secretary, and Registered Agent), PPP Magazines (Registered Agent), Specialties (President, Secretary, and Registered Agent), and Subscription House (Secretary and Registered Agent). Defendant Bacon has also been a senior manager of the consolidated call center. At times material to this Complaint, acting alone or in concert with others, she has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of Clarity Group, CPE, PPP Magazines, Specialties, and Subscription House. Defendant Bacon resides in this district and, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

35. Defendant **Jeffrey Hoyal** is or has been an owner and officer of Defendant H&A (President and Registered Agent). Defendant Hoyal has also provided leadership and

management services to Defendants Associated, Express, Liberty, MCE, Maximillian, PPP Magazines, Publishers Payment NY, and Publishers Payment OR. At times material to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of Defendant H&A. Defendant Jeffrey Hoyal resides in this district and, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

36. Defendant **Lori Hoyal** is or has been an owner and Secretary of Defendant H&A. At times material to this Complaint, acting alone or in concert with others, she has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of H&A. Defendant Lori Hoyal resides in this district and, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

37. Defendant **Colleen Kaylor** (“Kaylor”) is or has been the owner, President, and Secretary of CAS and MCE. She is or has been the President and Secretary of Magazine Link. She is also an operations manager at the consolidated call center. At times material to this Complaint, acting alone or in concert with others, she has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of CAS, MCE, Magazine Link, PPP Magazines, Publishers Payment NY, and Publishers Payment OR. Defendant Kaylor resides in this district and, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

38. Defendant **Laura Lovrien**, also known as Laura Babb (“Lovrien”), is or has been an owner or officer of Liberty (President, Secretary, and Registered Agent) and United (owner). She is also the owner and registered agent of Atlas and North West Data. At times material to this Complaint, acting alone or in concert with others, she has formulated, directed, controlled,

had the authority to control, or participated in the acts and practices of Anchor, Associated, Atlas, Liberty, North West Data, and United. Defendant Lovrien resides in this district and, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

39. Defendant **Noel Parducci**, also known as Noel Littlefield and Noelle Littlefield (“Parducci”), is or has been an officer or member of Defendants HCG Inc. (President), HCG LLC (President), Maximillian (President, Secretary, and Registered Agent), Publishers Payment OR (Registered Agent), and Wineoceros (Secretary). She has been the accountant and a signatory on bank accounts held by Publishers Payment NY and Reality Kats. She also is or has been an owner of Maximillian. At times material to this Complaint, acting alone or in concert with others, she has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of Defendants HCG Inc., HCG LLC, Maximillian, Publishers Payment NY, Reality Kats, and Wineoceros. Defendant Parducci resides in this district and, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

40. Defendant **Lydia Pugsley**, also known as Lydia Babb (“Pugsley”), is or has been the owner, President, Secretary, and Registered Agent of Adept and the owner and manager of Crown. She has also been a bank account signatory and performed accounting, data management, employee staffing, and consumer order processing for Associated, Express, HCG Inc., HCG LLC, H&A, Liberty, United, and Wineoceros. At times material to this Complaint, acting alone or in concert with others, she has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of Adept, Associated, Crown, Express, HCG Inc., HCG LLC, H&A, Liberty, United, and Wineoceros. Defendant Pugsley resides in this

district and, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

41. Defendant **Dennis Simpson** (“Simpson”) is or has been the owner and managing member of Defendant Reality Kats. At times material to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of Reality Kats. He has also provided consulting services to H&A and Maximillian. Defendant Simpson owns property in this district and, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

42. Defendant **William Strickler** (“Strickler”) is or has been the President of Defendant Express and the owner, President, Secretary, and Registered Agent of Defendant Wineoceros. At times material to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of these entities. Defendant Strickler resides in this district and, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

#### Common Enterprise

43. Defendants Adept, Anchor, Associated, Atlas, Clarity Group, CPE, Crown, CAS, Express, HCG Inc., HCG LLC, H&A, Liberty, MCE, Magazine Link, Maximillian, North West Data, PPP Magazines, Publishers Payment NY, Publishers Payment OR, Reality Kats, Specialties, Subscription House, United, Wineoceros, and their respective dbas (collectively, “Corporate Defendants”) have operated as a common enterprise while engaging in the deceptive acts and practices alleged below. Defendants have conducted the business practices described

below through an interrelated network of companies that have common ownership, officers, managers, business functions, employees, and office locations, and that commingled funds. Because these Corporate Defendants have operated as a common enterprise, each of them is jointly and severally liable for the acts and practices alleged below. Individual Defendants Babb, Bacon, Jeffrey Hoyal, Lori Hoyal, Kaylor, Lovrien, Parducci, Pugsley, Simpson, and Strickler (collectively, “Individual Defendants”) have formulated, directed, controlled, had the authority to control, or participated in the acts and practices of the Corporate Defendants that constitute the common enterprise.

### **Commerce**

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

### **Defendants’ Business Activities**

45. Since at least 2010, through a complicated and ever-changing web of companies, Defendants have disseminated direct-mail “Notice of Renewal/New Order” marketing mailings for newspaper or magazine subscriptions. In their mailings concerning newspaper subscriptions, Defendants represent that the mailings are subscription notices from, or authorized by, newspaper publishers. Defendants have no affiliation with any of the referenced newspapers and have no preexisting authorization to solicit, sell, accept, receive payment for, or secure newspaper subscriptions or subscription renewals. The mailings are not subscription notices from, or authorized by, newspaper publishers.

46. An example of Defendants’ “Notice of Renewal/New Offer” mailer, including the front and back, appears at Exhibit A (consumer name and address redacted).

47. Newspaper publications identified in these subscription notices include but are not limited to *The Wall Street Journal*, *The Seattle Times*, *The Dallas Morning News*, *The Arizona Republic*, *The New York Times*, *The Denver Post*, *The Atlanta Journal Constitution*, *The Cincinnati Enquirer*, and *The Madison State Journal*.

48. In addition to falsely representing that Defendants' mailings are subscription notices from, or authorized by, the publisher of the consumer's newspaper, the "Notice of Renewal/New Order" mailers represent that the consumer's existing, or "regular," newspaper subscription is due for renewal and will expire if the consumer does not make payment to Defendants; that newspaper subscriptions are "automatic," in that the specific subscriptions will be provided in all instances in which consumers send payment to Defendants; and that consumers who send payment to Defendants will receive newspaper subscriptions at a subscription price offered or authorized by the publishers.

49. In numerous instances, Defendants' "Notice of Renewal/New Order" subscription notice offers newspapers for which Defendants have no prior authorization to solicit subscriptions or renewals. Because Defendants are not the publishers and have no direct relationship with the publishers, they have no authority to promise that consumers will receive "automatic" subscriptions. In many instances, Defendants have been expressly directed by newspaper publishers to stop soliciting subscriptions for their publications.

50. Defendants state they are offering "one of the lowest available rates." However, the quoted rate in the "Notice of Renewal/New Order" mailers is typically higher, in some cases up to 40% more expensive, than the rate the consumer's newspaper charges in similar circumstances. Defendants are not directed or authorized by the consumer's newspaper to charge the quoted rate. Instead, Defendants' practice is to include in the quoted rate a substantial

and undisclosed premium or commission, which they routinely retain and do not separately disclose to consumers.

51. Upon receiving Defendants' "Notice of Renewal/New Order" mailers, many consumers paid the requested amount, mistakenly believing that Defendants were the publisher, were affiliated with the publisher of their newspaper, or were authorized to solicit their "regular subscription" on behalf of the publisher of their newspaper. In fact, Defendants have no contractual or agency agreement to solicit newspaper subscriptions or to renew customers' newspaper subscriptions.

52. Only in the fine print on the reverse of the mailers do Defendants disclose that they "do not necessarily have a direct relationship with the publishers or publications that [they] offer." This disclaimer refers only to magazine subscriptions and does not mention newspaper subscriptions. Many consumers who received these unsolicited subscription notices did not see or read this fine print and believed from the language on the front of the form that they were simply being asked to confirm and update their contact information to obtain or renew an ongoing "regular" subscription of their newspaper.

53. Consumers have complained that (a) the mailers look like authentic renewal invoices from their newspaper, (b) the price they paid for subscription "renewal" is inflated, (c) they experienced significant delay before receiving the ordered publications, or (d) they received different publications from the ones they ordered. In some instances, consumers have paid twice for the same subscription.

54. Some consumers attempted to cancel payment to Defendants or obtain refunds, after learning that Defendants have no affiliation with the publications at issue, and that Defendants are not authorized to offer or secure new or renewal subscription orders. Consumers

had difficulty reaching customer service to request subscription cancelations and refunds. If they were able to reach Defendants at all, in many instances, they did not receive refunds, they received only a partial refund, or they succeeded only after complaining to the Better Business Bureau or to state or federal law enforcement agencies.

55. Some publishers have refused to accept orders from Defendants and have attempted to stop Defendants' unauthorized solicitations. Defendants have received multiple "cease and desist letters" on behalf of more than 375 newspapers affirming that Defendants may not solicit or accept payment from consumers and directing them to (a) stop sending materials to consumers suggesting that their businesses are affiliated with, authorized by, or endorsed by those publications and to (b) stop inducing consumers to send Defendants funds for products they are not authorized to deliver.

56. In response to Defendants' unauthorized and unaffiliated mailings, many newspaper publishers have placed "alerts" on their websites and/or in their publications. Many publishers have also indicated that they will not knowingly accept subscription orders from Defendants.

57. Defendants have continued to mail, process, and submit "Notice of Renewal/New Order" mailers for publications named in "cease and desist" letters. Defendants utilize strategies that avoid detection by publishers and circumvent the "cease and desist" letters and alerts. They have created new shell corporations to process and submit orders, in an attempt to disguise the source of these orders. In some instances, Defendants use the information consumers provide to fill out authorized newspaper subscription insert cards with individual consumer information and forward the cards to publishers. Defendants forward to the publishers only the normal

subscription rate printed on the authorized insert cards, not the full amount received from consumers.

58. Defendants work together to advance the common enterprise:

a. Direct Mail Marketing Defendants (Associated, Express, Liberty, and United) send “Notice of Renewal/New Order” subscription notices to consumers and receive consumer funds.

b. Receiving Defendants (Adept, Associated, Crown, PPP Magazines, Publishers Payment NY, and Publishers Payment OR) receive consumer orders by mail (Adept, Associated, and Crown), by telephone (PPP Magazines, Publishers Payment NY, and Publishers Payment OR receive telephone orders at the call center), and over the internet (PPP Magazines, Publishers Payment NY, and Publishers Payment OR also receive internet orders). Atlas and North West Data perform administrative services for Receiving Defendants. Receiving Defendants forward order information to Adept, Associated, and Crown

c. Processing and Clearing Defendants (Adept, Anchor, Associated, Atlas, Clarity Group, CPE, Crown, MCE, Magazine Link, North West Data, Specialties, Subscription House, and Wineoceros) receive consumer order information from Receiving Defendants and perform processing, clearing, and administrative services. Defendants MCE, CPE, and CAS receive order information from Receiving Defendants and forward this information to other Processing and Clearing Defendants (Magazine Link, Subscription House, Anchor, and Wineoceros) or submit them directly to publishers. Clarity Group and Specialties perform administrative services for MCE, CPE, and CAS. Magazine Link, Subscription House, Anchor, and Wineoceros submit orders to third party clearing entities or directly to publishers.

d. The call center receives customer service calls and complaints from consumers. Other Defendants also respond to consumer complaints.

e. HCG LLC or HCG Inc. owns all of the Direct Mail Marketing Defendants and Processing and Clearing Defendant Anchor.

f. Maximillian, Reality Kats, and H&A provide financial, management, and consulting services to Direct Mail Marketing Defendants, Receiving Defendants, and Processing and Clearing Defendants.

### **Violations Of The FTC Act**

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

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

### Count I

61. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of newspaper subscriptions, Defendants have represented, directly or indirectly, expressly or by implication, that Defendants’ mailings are subscription notices from, or authorized by, newspaper publishers, including, but not limited to, by representing that:

a. Consumers’ existing, or “regular,” newspaper subscriptions are due for renewal and will expire if consumers do not send payment to Defendants;

b. Newspaper subscriptions are “automatic,” in that the specified subscriptions will be provided in all instances in which consumers send payment to Defendants;  
and

c. Consumers who send payment to Defendants will receive newspaper subscriptions at a subscription price offered or authorized by the publishers.

62. In truth and in fact, in numerous instances in which Defendants have made the representations set forth in Paragraph 61 of this Complaint, Defendants' mailings were not subscription notices from, or authorized by, newspaper publishers, and:

a. Consumers' existing, or "regular," newspaper subscriptions may not be due for renewal and will not expire if consumers do not send payment to Defendants;

b. Newspaper subscriptions are not "automatic," in that the specified subscriptions will not be provided in all instances in which consumers send payment to Defendants; and

c. Consumers who send payment to Defendants will not receive newspaper subscriptions at a subscription price offered or authorized by the publishers.

63. Therefore, Defendants' representations as set forth in Paragraph 61 of this Complaint are false and misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

### **Consumer Injury**

64. Consumers have suffered and will continue to suffer substantial injury as a result of Defendants' violations of the FTC Act. In addition, Defendants have been unjustly enriched as a result of their unlawful acts or practices. Absent injunctive relief by this Court, Defendants are likely to continue to injure consumers, reap unjust enrichment, and harm the public interest.

### **This Court's Power to Grant Relief**

65. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to grant injunctive and such other relief as the Court may deem appropriate to halt and redress violations

of any provision of law enforced by the FTC. The Court, in the exercise of its equitable jurisdiction, may award ancillary relief, including rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies, to prevent and remedy any violation of any provision of law enforced by the FTC.

**Prayer for Relief**

Wherefore, Plaintiff FTC, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), and the Court's own equitable powers, requests that the Court:

A. Award Plaintiff such preliminary injunctive and ancillary relief as may be necessary to avert the likelihood of consumer injury during the pendency of this action and to preserve the possibility of effective final relief, including but not limited to, preliminary injunctions, an order freezing assets, immediate access, and appointment of a receiver;

B. Enter a permanent injunction to prevent future violations of the FTC Act by Defendants;

C. Award such relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of the FTC Act, including but not limited to, rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies; and

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

Respectfully submitted,

David C. Shonka  
Acting General Counsel  
Charles A. Harwood  
Regional Director

Dated: April 27, 2016

s/ Krista K. Bush

Krista K. Bush, WSBA 30881

Laura M. Solis, WSBA 36005

Richard McKewen, WSBA 45041

Connor Shively, WSBA 45041

Attorneys for Plaintiff Federal Trade Commission