

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

Plaintiff,

v.

EFFICIENT TELESales SERVICES INC also d/b/a

Civil Action No. 02C 3776
Judge Hibbler
Magistrate Judge Schenkier

U.S. CREDIT SERVICES and U.S. DIRECT
BENEFITS AND SAVINGS, and

LEONORA KHAN, individually and as an officer
of EFFICIENT TELESales SERVICES INC.,

Defendants.

ORDER FOR PERMANENT INJUNCTION AND FINAL JUDGMENT

Plaintiff, the Federal Trade Commission ("FTC" or "the Commission"), commenced this action by filing its complaint for injunctive and other equitable relief pursuant to Sections 13(b) and 19 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 53(b) and 57b, the Telemarketing and Consumer Fraud and Abuse Prevention Act ("Telemarketing Act"), 15 U.S.C.

§§ 6101, et seq., charging that the Defendants engaged in deceptive acts or practices in violation

The Commission's motion to enter default judgment is hereby granted, and it is therefore **ORDERED, ADJUDGED, AND DECREED** as follows:

FINDINGS

1. This Court has jurisdiction over the subject matter of this case and all parties hereto. Venue in the Northern District of Illinois is proper.

2. Plaintiff's complaint states a claim upon which relief may be granted against Defendants under Sections 5, 13(b), and 19 of the FTC Act, 15 U.S.C. §§ 45, 53(b) & 57b, the Telemarketing Act, 15 U.S.C. §§ 6101 *et seq.* and the FTC's Telemarketing Rule, 16 C.F.R.

Part 310.

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

4. The Defendants were properly served with copies of the summons and complaint on June 8, 2002.

5. Defendants ~~directly or through their telemarketers~~ have ~~explicitly or implicitly~~

6. The evidence establishes that Defendants violated Section 5 of the FTC Act, 15 U.S.C. § 45, and the Telemarketing Sales Rule, 16 C.F.R. Part 310.

7. Defendants are likely to continue to engage in the activities alleged in the complaint unless they are permanently enjoined from such acts and practices.

Civil Procedure.

9. Plaintiff is entitled to judgment against the Defendants in the amount of \$1,300,000 (USD), for which Defendants are jointly and severally liable.

4. "Assisting others" means: (1) performing customer service functions including, but not limited to, receiving or responding to consumer complaints, receiving identifying and financial information from consumers, and communicating with consumers about extensions of credit; (2) developing, providing or arranging for the development or provision of sales scripts or any other marketing material; (3) providing names of, or arranging for the provision of names of, potential customers; or (4) performing marketing services of any kind.

5. "Customer" means any person who has paid or may be required to pay for goods or services.

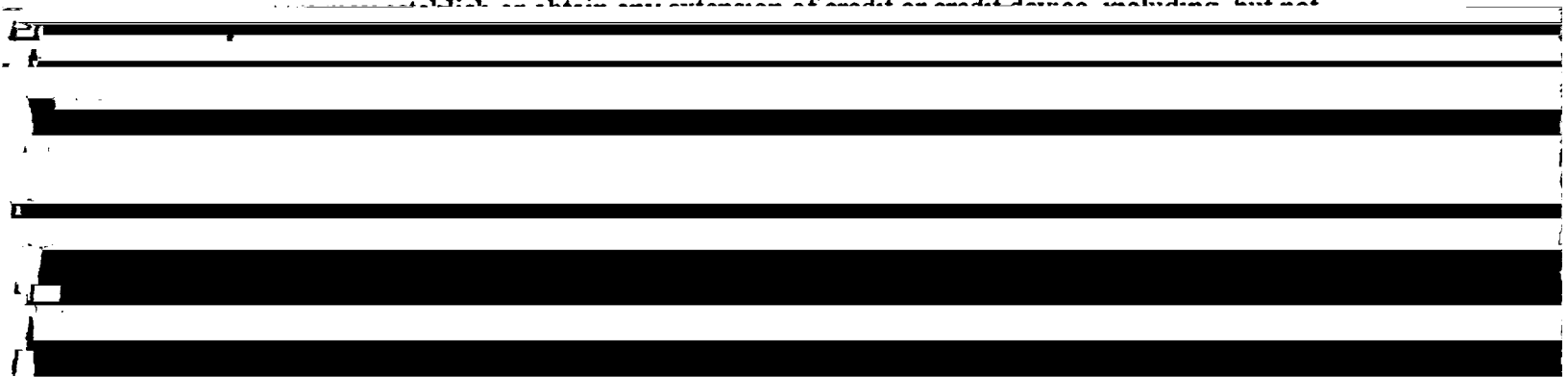
6. "Person" means any individual, group, unincorporated association, limited or general partnership, corporation, or other business entity.

7. "Material" means likely to affect a person's choice of, or conduct regarding, goods or services.

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

9. "Credit-related products, programs, or services" means any product, program, or service which is advertised, offered for sale, or sold to consumers as a method by which

establish or obtain an extension of credit or credit device, including but not



I.

PROHIBITED BUSINESS ACTIVITIES

IT IS FURTHER ORDERED that, in connection with the advertising, marketing, promoting, offering for sale, or sale of any product, program, or service, Defendants, their successors, assigns, officers, agents, servants, employees, and all other persons or entities in

service or otherwise, whether acting directly or through any corporate or other device, are hereby permanently restrained and enjoined from:

- A. Misrepresenting, directly or by implication, that Defendants will provide

2. Violating Section 310.4(a)(4) of the Telemarketing Sales Rule, 16 C.F.R. § 310.4(a)(4), by requesting or receiving payment of any fee or consideration in advance of obtaining or arranging an extension of credit when they have guaranteed or represented a high likelihood of success in obtaining or arranging an extension of credit.

E. Assisting others who violate any provision of Subsections A through D of this Section.

II.

MONETARY JUDGMENT AND REDRESS

IT IS FURTHER ORDERED that:

A. Defendants, jointly and severally, shall pay consumer redress in the amount of \$1,200,000 (USD) pursuant to Sections 12(b) and 10 of the FTC Act, 15 U.S.C. §§ 52(b) and 57.

disgorgement. Defendants may be notified as to how funds are disbursed, but shall have no right to contest the manner of distribution chosen by Plaintiff.

III.

CUSTOMER LISTS

IT IS FURTHER ORDERED that Defendants, their successors, assigns, officers, agents, servants, employees, and all other persons or entities in active concert or participation

acting directly or through any corporate or other device, are permanently restrained and enjoined from selling, renting, leasing, transferring, or otherwise disclosing the name, address, telephone number, social security number, credit card number, bank account number, e-mail address, or other identifying information of any person who paid any money to or received any credit-related

COMPLETE AND FILE FINANCIAL STATEMENT

IT IS FURTHER ORDERED that Defendant Leonora Khan shall serve upon counsel

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statement in the form shown on Appendix A to this Order for herself individually and for each

entry during normal business hours to any business location in such Defendant's possession or direct or indirect control to inspect the business operation;



1. Defendant Leonora Khan shall notify the Commission of the following:
- a. Any changes in Defendant's residence, mailing addresses, and telephone numbers, within ten (10) days of the date of such change;
 - b. Any changes in Defendant's employment status (including self-employment) within ten (10) days of the date of such change. Such notice shall include the name and address of each business that Defendant is affiliated with

B. One hundred eighty (180) days after the date of entry of this Order, Defendants

Direct Benefits and Savings, shall provide a written report to the FTC, sworn to under penalty of perjury under the laws of the United States, setting forth in detail the manner and form in which they have complied and are complying with this Order. This report shall include, but not be limited to:

1. Any changes required to be reported pursuant to Subsection A above;
2. A copy of each acknowledgment of receipt of this Order obtained by

Defendant pursuant to Section IX of this Order.

C. For the purposes of this Order, Defendants shall, unless otherwise directed by the

telemarketing, or assisting others engaged in telemarketing, are hereby permanently restrained and enjoined from:

A. Failing to take reasonable steps sufficient to monitor and ensure that all employees and independent contractors engaged in sales or other customer service functions comply with Section I of this Order. Such steps shall include adequate monitoring of sales presentations or other calls with customers, and shall also include, at a minimum, the following: (1) listening to the oral representations made by persons engaged in sales or other customer service functions; (2) establishing a procedure for receiving and responding to consumer complaints; and (3) ascertaining the number and nature of consumer complaints regarding transactions in which each employee or independent contractor is involved;

B. Failing promptly to investigate fully any consumer complaint received by any business to which this Section applies; and

C. Failing to take corrective action with respect to any sales person whom

the subject matter of this Order and shall secure from each such person a signed and dated

statement acknowledging receipt of the Order. Defendant Efficient Telesales Services Inc., also d/b/a U.S. Credit Services and U.S. Direct Benefits and Savings, shall deliver this Order to current personnel within thirty (30) days after the date of service of this Order, and to new personnel within thirty (30) days after the person assumes such position or responsibilities.

B. Defendant Leonora Khan shall deliver a copy of this Order to the principals, officers, directors, managers and employees under Defendant Leonora Khan's control for any

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

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

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

D. Complaint and refund requests (whether received directly, indirectly or through

any third party) and any responses to those complaints or requests; and

E. Copies of all sales scripts, training materials, advertisements, or other marketing materials.

XI.

RETENTION OF JURISDICTION

IT IS FURTHER ORDERED that the Court shall retain jurisdiction of this matter for