THEREFORE the parties hereby stipulate to the filing of the Amended

Complaint attached hereto as Exhibit 1 ..

So Ordered:

Date: 70 uh,~ 3;! 3~6 I er

So Stipulated: PLAINTIFF FTC:
Date: November -3 2006
By: Jenn~ter Larabee
John D. Jacobs
Federal Trade Commission

Attorneys for Plaintiff FTC

FINANCIAL LIBERTY SERVICES, LLC:

Date: November -3 2006 By: Kenton Johnson
Brick Kane
Robb Evans & Assoc., Receiver
Over Financial Liberty Services, LLC

HOMELAND FINANCIAL SERVICES:

Date: November -9 2006 By: Kenton Johnson
Brick Kane
Robb Evans & Assoc., Receiver
Over Financial Liberty Services, LLC

NATIONAL SUPPORT SERVICES, LLC:

Date: November 2006 By: Kenton Johnson
Brick Kane
Robb Evans & Assoc., Receiver
Over National Support Services, LLC

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?kited Stater 4%: Judge

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Federal Trade Commission

Attorneys for Plaintiff FTC

Date: November -2006 By:

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Date: November -3 \ ,2006

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UNITED DEBTRECOVERY,LLC;

By: Kenton Johnson
Brick Kane
Robb Evans & Assoc., Receiver
Over United Debt Recovery, LLC
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Attorneys for First Freedom Financial, LLC

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Atrorneys for Richard Wade Torkelson

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FIRST FREEDOM FINANCIAL, LLC:

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USA Tork5m�EMC7569146T12<</MCI' 13 0 0 13.5203 8547.3196Tm�(Richard)Tj2EMC 79146T12<</MCI.>>B6 >>BDC �BT�/Tf�13 0 0 1 8.375 436.0803 0.0775 2.875501.11948 Tm�(GARNEAU)

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Date: November

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UNITED DEBT RECOVERY, LLC:

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Date: November -7 2006 By: Kenton Johnson
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USA DEBT CO, ,LLC:

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WILLIAM BLUMENTHAL
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Attorneys for Plaintiff FTC
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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No. SACV-06-701 DOC (RNBx) Federal Trade Commission,
Plaintiff, FIRST AMENDED COMPLAINT FOR
v. INJUNCTIVE AND OTHER EQUITABLE RELIEF
Dennis Connelly, an individual;

Richard Wade Torkelson, alkla
Wade Torkelson, an individual;

Joanne Garneau, *a Joanne

Torkelson, an individual also doing business as Prosper Financial

Solutions;

Financial Liberty Services, LLC, a limited liability company;

Homeland Financial Services, a corporation;

National Support Services, LLC, a limited liability company;

United Debt Recovery, LLC, a limited liability company;

Freedom First Financial, LLC, a limited liability company;

USA Debt Co, LLC a/k/a
UsaDebtCo.com, a limited liability company; and

Robina Capital, Inc., a co oration

doing business as Prosper T.inancial. Soluhons, Defendants.

Plaintiff, the Federal Trade Commission ("FTC" or "Commission"), by its undersigned attorneys, alleges:
1. The T;TC brings this action under Sections 5(a) and 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. $8 45(a) and 53(b), to obtain preliminary and permanent injunctive relief, rescission or reformation of contracts, restitution, disgorgement, the appointment of a receiver, and other equitable relief for defendants' violations of Section 5(a) of the FTC Act, 15 U.S.C. $45(a).

JURISDICTION AND VENUE

2. This Court has subject matter jurisdiction over the FTC's claims
pursuant to 15 U.S.C. $5 45(a) and 53@) and 28 U.S.C. $$ 1331,1337(a) and 1345.

3. Venue in the United States District Court for the Central District of California is proper under 15 U.S. C. $53(b) and 28 U.S.C. $$ 1391(b) and (c).

THE PARTIES

4. Plaintiff Federal Trade Commission is an independent agency of the United States Government created by statute. 15 U.S.C. $$41 et seq. The Commission enforces Section 5(a) of the FTC Act, 15U.S.C. 8 45(a), which prohibits unfair or deceptive acts or practices in or affecting commerce. The Commission may initiate federal district court proceedings by its own attorneys to enjoin violations of the FTC Act and to secure such equitable relief as is appropriate in each case, including restitution for injured consumers. 15 U.S.C. § 53(b).
5. Defendant Dennis Connelly ("Connelly") is an individual who resides
in Orange County, California. Connelly founded or helped to found defendants Homeland Financial Services ("Homeland), National Support Services, LLC ("NSS"), Financial Liberty Services, LLC ("Financial Liberty"), United Debt Recovery, LLC ("United"), and Freedom First Financial, LLC ("Freedom Fist"'). Comelly is or has been the Secretary and a director of Homeland. At all times -2-
FIRSTAMENDED COMPLAINT FOR INJUNCTnTE AND OTHER EQUITABLE RELIEF EXH. 1
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material to this Complaint, acting alone or in concert with others, Connelly has formulated, directed, controlled, or participated in the acts and practices of Homeland, NSS, Financial Liberty, United, and Freedom First, including the acts and practices set forth in this Complaint. Connelly transacts or has transacted business in the Central District of California and throughout the United States.
6. Defendant Richard Wade Torkelson ("Torkelson"), also known as Wade Torkelson, is an individual who resides in Orange County, California. Torkelson founded or helped to found defendants Homeland, NSS, Financial Liberty, and United. Torkelson is or has been the Chief Executive Officer, Chief Financial Officer, President, and a director of Homeland. At all times material to this Complaint, acting alone or in concert with others, Torkelson has formulated, directed, controlled, or participated in the acts and practices of Homeland, NSS, Financial Liberty, and United, including the acts and practices set forth in this Complaint. Torkelson transacts or has transacted business in the Central District of California and throughout the United States.
7. Defendant Joanne Garneau ("Garneau"), also known as Joanne Torkelson, is an individual who resides in Orange County, California. At all.times material to this Complaint, Joanne Garneau has individually done business as Prosper Financial Solutions ("Prosper") and/or has also been an owner and officer of defendant Robina Capital, Inc. ("Robina"), which has done business as Prosper Financial Solutions. Joanne Garneau, Robina, and Prosper have conducted business out of offices located at 1031 Calle Recodo, Suite D, San Clemente, California. At all times material to this Complaint, acting alone or in concert with others, Joanne Garneau has formulated, directed, controlled, or participated in the acts and practices of Prosper and Robina, including the acts and practices set forth in this Complaint. Joanne Garneau transacts or has transacted business in the Central District of California and throughout the United States.

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FIRST AMWED COMPLAINTFOR INJUNCTIVE AND OTHER EQUITABLE RELIEF 1
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8. Defendant Financial Liberty Services, LLC is a Nevada limited
liability company that has or has had its principal place of business at 2850 Red Hill Avenue, Suite 220, Santa Ana, California, and then at 4425 Jamboree Road, Suite 140, Newport Beach, California. Financial Liberty was formed and begm operating in 2004. Financial Liberty is and has been the sole member of defendant NSS. The owners of Financial Liberty and NSS viewed Financial Liberty as the parent company of NSS. Financial Liberty has transacted business in the Central District of California and throughout the United States.
9. Defendant Homeland Financial Services is a California corporation
that has or has had its principal place of business at 2850 Red Hill Avenue, Suite 220, Santa Ana, California, and then at 4425 Jamboree Road, Suite 140, Newport Beach, California. Homeland began operating in approximately 2001. At all times material to this Complaint, Homeland advertised, marketed, promoted, offered, sold, or agreed to perform debt-negotiation services to or for consumers throughout the United States. Homeland has transacted business in the Central District of California and throughout the United States.
10. Defendant National Support Services, LLC is a California limited liability company that has or has had its principal place of business at 2850 Red Hill Avenue, Suite 220, Santa Ana, California, and then at 4425 Jamboree Road, Suite 140, Newport Beach, California. NSS began operating in 2004. At all times material to this Complaint, NSS has advertised, marketed, promoted, offered, sold, or agreed to perform debt-negotiation services to or for consumers throughout the United States. NSS has transacted business in the Central District of California and throughout the United States.
11. Defendant United Debt Recovery, LLC is a Nevada limited liability company that had its principal place of business at 2151 Michelson Drive, Suite 170, Irvine, California. United began operating in 2004. At all times material to this Complaint, United has advertised, marketed, promoted, offered, sold, or agreed to -4-
FIRST AMENDED COMF'L4INT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF WH. 1
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1 I perform debt-negotiation services to or for consumers throughout the United States.

2 I/ United has transacted business in the Central District of California and throughout
3 the United States.

4 12. Defendant Freedom First Financial, LLC is a Wyoming limited

5 11 liability company that had its principal place of business at 1274 Center Court
6 Drive, Suite 107, Covina, California. Freedom First began operating in 2004. At all 7 times material to this Complaint, Freedom First has advertised, marketed, promoted,

8 I1 offered, sold, or agreed to perform debt-negotiation services to or for consumers
9 throughout the United States. Freedom First transacts or has transacted business in 10 the Central District of California and throughout the United States.

13. Defendant USA Debt Ca, LLC ("USA Debt Co."), also known as 11 1
12 UsaDebtCo.com, is a Wyoming limited liability company that has its principal place 13 of business at 801 Corporate Center Drive, Pomona, California. USA Debt Co. 14 began operating in 2004. At all times material to this Complaint, USA Debt Co. has

15 I advertised, marketed, promoted, offered, sold, or agreed to perform debt-negotiation
16 services to or for consumers throughout the United States. USA Debt Co. transacts 17 or has transacted business in the Central Disbict of California and throughout the

18 II United States.

COMMON ENTERPRISE

14. Homeland, NSS, Financial Liberty, and United have operated together 21 1
22 as a common enterprise while engaging in the deceptive acts and practices alleged 23 below. These defendants have conducted the business practices described below 24 through an interrelated network of companies with common ownership, officers,

25 I1 managers, and business functions. Individual defendants Connelly and Torkelson
26 have formulated, directed, and/or controlled, or had authority to control, or
27 participated in the acts and practices of the corporate defendants that comprise the

28 common enterprise. Il

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FIRST AMENDED COMPLAINTFOR INJUNCTIVE AND OTHER EQUITABLE RELIEF EXH. 1
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COMMERCE

15. At all times relevant to this Complaint, defendants have maintained a substantial course of business in the advertising, marketing, promoting, offering for sale and sale of debt-negotiation services, in or affecting commerce, including the acts and practices alleged herein, as "commerce" is defined in Section 4 of the FTC Act, 15 U.S.C. 3 44.

DEFENDANTS' BUSINESS ACTIVITIES

16. Defendant Homeland was founded by defendants Connelly and
rorkelson. Homeland beg,m debt-ne 0 f includin or def�-0.4 075 8by

end" service, which includes, among other things, negotiating settlements with consumers' creditors, providing customer senice,

consumer to pay off his debts to these creditors for a substantially lower amount than the consumer currently owes, such as 40% to 60% of the consumer's outstanding debt.
25. For example, one or more websites for Prosper included statements such

told consumers that under defendants' program, consumers would have an affordable monthly payment and would be out of debt within a limited period of time, typically within three years.
30. Defendants' telemarketers typically advised consumers that if they participated in defendants' debt-negotiation program, defendants would immediately contact the consumer's creditors and inform them that defendants now represented the consumer. Telemarketers represented that consumers would then receive few if any calls from creditors. Telemarketers also represented that consumers would obtain more favorable settlements if they stopped making their monthly payments to their creditors.
31. In addition, defendants' telemarketers advised consumers who inquired about the effects of defendants' program on the consumer's credit rating that the program would have only a minimal, negative effect which would last only the length of time during which the consumer is in the program. Defendants also represent that they would negotiate settlements with consumers' creditors pursuant to which the creditors will stop reporting unfavorable items of information to credit
reporting agencies.
32. Defendants charged their clients a nonrefundable fee. The defendants'
fee was expressed as a percentage of the amount of debt that the consumer owed his
unsecured creditors at the beginning of the program. Since 2002, the fee rose from
12% to 15% of the consumer's total debt.
33. Defendants required clients _3 1 Tf�-�(to)Tj�/T1_1 1 Tf�-0.00 Tc 1.508m�/T1ebwj�0.0 that sed

1 34. After consumers enrolled in defendants' program, they received a I
I packet of documents from defendants, which defendants refer

$1681~) The FCRA also prohibits creditors from knowingly reporting
false information (15 U.S.C.4 1681 s-2(a)(l)), and thus prohibits
creditors from changing accurate information they have previously
reported.
40. Typically within six or seven months of enrolling in defendants' debt-negotiation program, most consumers realized that their financial situation was not improving but instead was getting worse, and canceled their participation in the program. By this time most consumers would find that the balances on the accounts that they trusted defendants to settle had increased substantially as a result of penalties, fees, interest and other charges. Many consumers who retained defendants' services for the purpose of improving their financial situation experienced such a substantial increase in their debt that they have filed for protection under the bankruptcy laws.

VIOLATIONS OF SECTION 5 OF THE FTC ACT

41. Section 5(a) of the FTC Act, 15U.S.C. $45(a), prohibits unfair or deceptive acts or practices in or affecting commerce.
42. Misrepresentations or omissions of material fact constitute deceptive
acts or practices prohibited by Section 5(a) of the FTC Act,.

COUNT I
(As to All Defendants)
Misrepresentation of Defendants' Program
43. In numerous instances in connection with the advertising, marketing, promoting, offering for sale or sale of their debt-negotiation services, defendants or their employees or agents have represented, expressly or by implication, that

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FIRST

by enrolling in defendants' debt-negotiation program, consumers will be able to pay off their credit-card and other unsecured debts for a substantially reduced amount, such as 40 to 60 percent of the total amount owed to their creditors.
44. In truth and in fact, in numerous instances, by enrolling in defendants' debt-negotiation program, consumers were not able to pay off the debts they submitted to defendants' program for a substantially reduced amount, such as 40 to 60 percent of the total amount owed to their creditors.
45. Therefore, defendants' representation as set forth in

constitutes a deceptive act or practice in violation of Section

54. In numerous instances, in connection with the advertising, marketing, promoting, offering for sale or sale of their debt-negotiation services, defendants or their employees or agents have represented, expressly or by implication, that any negative information that appears on a consumer's credit report as a result of participating in

PRAYER FOR RELIEF

WHEREFORE plaintiff Federal Trade Commission, pursuant to Section 13(b) of the FTC Act, 15 U.S.C.3 53(b), and the Court's own equitable powers,