

1 Willard K. Tom
General Counsel

2 Mark L. Glassman
3 (Ph: 202-326-2826; Email: Mglassman@ftc.gov)
4 Teresa N. Kosmidis
(Ph: 202-326-3216; Email: Tkosmidis@ftc.gov)
5 Robin F. Thurston
(Ph: 202-326-2752; Email: Rthurston@ftc.gov)
6 Federal Trade Commission
600 Pennsylvania Avenue, NW
7 Mail Stop NJ-3158
Washington, DC 20580
8 Fax: (202) 326-3768

9 John D. Jacobs
(Cal. Bar No. 134154)
(Ph: 310-824-4343; Email: Jjacobs@ftc.gov)
10 Federal Trade Commission
10877 Wilshire Boulevard
11 Suite 700
Los Angeles, CA 90024
12 Fax: 310-824-4380

13 Attorneys for Plaintiff
Federal Trade Commission

15 UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

17
18 Federal Trade Commission,
19 Plaintiff,
20 v.
21 Sameer Lakhany, *et al.*,
22 Defendants.
23
24
25
26
27
28

Case No. SACV12-0337-CJC (JPRx)

**FINAL ORDER FOR PERMANENT
INJUNCTION AND SETTLEMENT
OF CLAIMS AS TO DEFENDANTS
BRIAN PACIOS AND NATIONAL
LEGAL NETWORK, INC.**

Judge: Hon. Cormac J. Carney
Courtroom 9B

1 Plaintiff Federal Trade Commission (“FTC”), commenced this civil action
2 against Defendants Sameer Lakhany, The Credit Shop, LLC, Fidelity Legal Services
3 LLC, Titanium Realty, Inc., Precision Law Center, Inc., and Precision Law Center
4 LLC, on March 5, 2012, pursuant to Sections 13(b) and 19 of the Federal Trade
5 Commission Act (“FTC Act”), 15 U.S.C. §§ 53(b) and 57b, and the 2009 Omnibus
6 Appropriations Act, Public Law 111-8, Section 626, 123 Stat. 524, 678 (Mar. 11,
7 2009) (“Omnibus Act”), as clarified by the Credit Card Accountability
8 Responsibility and Disclosure Act of 2009, Public Law 111-24, Section 511, 123
9 Stat. 1734, 1763-64 (May 22, 2009) (“Credit Card Act”), and amended by the Dodd-
10 Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203,
11 Section 1097, 124 Stat. 1376, 2102-03 (July 21, 2010) (“Dodd-Frank Act”), by filing
12 a Complaint for preliminary and permanent injunctive relief, rescission or
13 reformation of contracts, restitution, the refund of monies paid, disgorgement of ill-
14 gotten monies, and other equitable relief for Defendants’ acts or practices in
15 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the Mortgage
16 Assistance Relief Services Rule, 16 C.F.R. Part 322 (“MARS Rule”) (effective
17 December 29, 2010, except for Section 322.5, which became effective on January 31,
18 2011), recodified as Mortgage Assistance Relief Services (Regulation O), 12 C.F.R.
19 Part 1015 (“Regulation O”) (effective December 30, 2011), in connection with the
20 marketing and sale of Mortgage Assistance Relief Services (“MARS”).

21 On March 19, 2012, the Court entered a preliminary injunction against
22 Defendants Sameer Lakhany, The Credit Shop, LLC, Fidelity Legal Services LLC,
23 and Titanium Realty, Inc. (Dkt. # 51). On March 21, 2012, the Court entered a
24 preliminary injunction against Defendants Precision Law Center, Inc. and Precision
25 Law Center LLC (Dkt. #66). On March 22, 2012, the FTC filed a First Amended
26 Complaint, adding as defendants Brian Pacios, Assurity Law Group, Inc., and
27 National Legal Network, Inc. (Dkt. #72). On April 24, 2012, the Court entered a
28 preliminary injunction as to Defendants Brian Pacios and National Legal Network,

1 Inc. (Dkt. #110). On May 2, 2012, the Court entered an order denying a preliminary
2 injunction as to Assurity Law Group, Inc. (Dkt. #117).

3 The FTC and Defendants Brian Pacios and National Legal Network, Inc.
4 (“NLN”) have now stipulated to entry of this Final Order for Permanent Injunction
5 and Settlement of Claims (“Order”). This Court, having considered the First
6 Amended Complaint (“Complaint”), exhibits, memoranda, declarations, and other
7 submissions of the parties, and now being advised in the premises, hereby enters this
8 Order:

9 **FINDINGS**

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19

1 drawings, graphs, charts, photographs, audio and video recordings, computer
2 records, and other data compilations from which the information can be
3 obtained and translated, if necessary, through detection devices into
4 reasonably usable form. A draft or non-identical copy is a separate document
5 within the meaning of the term.

- 6 8. **“Federal homeowner relief or financial stability program”** means any
7 program (including its sponsoring agencies, telephone numbers, and Internet
8 websites) operated or endorsed by the United States government to provide
9 relief to homeowners or stabilize the economy, including, but not limited to:
10 A. the Making Home Affordable Program;
11 B. the Financial Stability Plan;
12 C. the Troubled Asset Relief Program and any other program sponsored or
13 operated by the United States Department of the Treasury;
14 D. the HOPE for Homeowners program, any program operated or created
15 pursuant to the Helping Families Save Their Homes Act, and any other
16 program sponsored or operated by the Federal Housing Administration;
17 or
18 E. any program sponsored or operated by the United States Department of
19 Housing and Urban Development (“HUD”), the HOPE NOW Alliance,
20 the Homeownership Preservation Foundation, or any other HUD-
21 approved housing counseling agency.

- 22 9. **“Financial related product or service”** means any product, service, plan, or
23 program represented, expressly or by implication, to:
24 A. provide any consumer, arrange for any consumer to receive, or assist
25 any consumer in receiving, credit, debit, or stored value cards;
26 B. improve, or arrange to improve, any consumer’s credit record, credit
27 history, or credit rating;
28

- 1 C. provide advice or assistance to any consumer with regard to any activity
2 or service the purpose of which is to improve a consumer's credit
3 record, credit history, or credit rating;
- 4 D. provide any consumer, arrange for any consumer to receive, or assist
5 any consumer in receiving, a loan or other extension of credit;
- 6 E. provide any consumer, arrange for any consumer to receive, or assist
7 any consumer in receiving any service represented, expressly or by
8 implication, to renegotiate, settle, or in any way alter the terms of
9 payment or other terms of any debt or obligation (other than a debt or
10 obligation secured by a mortgage on a consumer's dwelling) between a
11 consumer and one or more secured creditors, servicers, or debt
12 collectors.

13 10. **“Material”** means likely to affect a person's choice of, or conduct regarding,
14 goods or services.

15 11. **“Mortgage assistance relief product or service”** means any product, service,
16 plan, or program, offered or provided to the consumer in exchange for
17 consideration, that is represented, expressly or by implication, to assist or
18 attempt to assist the consumer with any of the following:

- 19 A. stopping, preventing, or postponing any mortgage or deed of trust
20 foreclosure sale for the consumer's dwelling, any repossession of the
21 consumer's dwelling, or otherwise saving the consumer's dwelling from
22 foreclosure or repossession;
- 23 B. negotiating, obtaining, or arranging a modification of any term of a
24 dwelling loan, including a reduction in the amount of interest, principal
25 balance, monthly payments, or fees;
- 26 C. obtaining any forbearance or modification in the timing of payments
27 from any dwelling loan holder or servicer on any dwelling loan;
28

- 1 D. negotiating, obtaining, or arranging any extension of the period of time
- 2 within which the consumer may (i) cure his or her default on a dwelling
- 3 loan, (ii) reinstate his or her dwelling loan, (iii) redeem a dwelling, or
- 4 (iv) exercise any right to reinstate a dwelling loan or redeem a dwelling;
- 5 E. obtaining any waiver of an acceleration clause or balloon payment
- 6 contained in any promissory note or contract secured by any dwelling;
- 7 or
- 8 F. negotiating, obtaining, or arranging (i) a short sale of a dwelling, (ii) a
- 9 deed-in-lieu of foreclosure, (iii) or any other disposition of a dwelling
- 10 loan other than a sale to a third party that is not the dwelling loan
- 11 holder.

12 The foregoing shall include any manner of claimed assistance, including, but
 13 not limited to, auditing or examining a consumer’s mortgage or home loan
 14 application.

- 15 12. **“Person”** means a natural person, an organization or other legal entity,
- 16 including a corporation, partnership, sole proprietorship, limited liability
- 17 company, association, cooperative, or any other group or combination acting
- 18 as an entity.
- 19 13. **“Telemarketing”** means a plan, program, or campaign which is conducted to
- 20 induce the purchase of goods or services or a charitable contribution, by use of
- 21 one or more telephones and which involves more than one interstate telephone
- 22 call, whether inbound or outbound.

23 **ORDER**

24 **BAN ON MORTGAGE ASSISTANCE RELIEF PRODUCTS OR SERVICES**
 25 **AND DEBT RELIEF PRODUCTS OR SERVICES**

- 26 **I. IT IS THEREFORE ORDERED** that Settling Defendants, whether acting
- 27 directly or through any other person, are permanently restrained and enjoined
- 28 from:

1 A. Advertising, marketing, promoting, offering for sale, or selling any
2 mortgage assistance relief product or service, or debt relief product or
3 service; and

4 B. Assisting others engaged in advertising, marketing, promoting, offering
5 for sale, or selling any mortgage assistance relief product or service, or
6 debt relief product or service.

7
8 **PROHIBITED MISREPRESENTATIONS RELATING TO FINANCIAL
RELATED PRODUCTS OR SERVICES**

9 **II. IT IS FURTHER ORDERED** that Settling Defendants and their officers,
10 agents, servants, employees, and those persons or entities in active concert or
11 participation with them who receive actual notice of this Order by personal
12 service, facsimile transmission, email, or otherwise, whether acting directly or
13 through any corporation, subsidiary, division, or other device, in connection
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1 B. Advertising or assisting others in advertising credit terms other than
2 those terms that actually are or will be arranged or offered by a creditor
3 or lender

4 **PROHIBITED MISREPRESENTATIONS RELATING TO ANY PRODUCTS**
5 **OR SERVICES**

6 **III. IT IS FURTHER ORDERED** that Settling Defendants and their officers,
7 agents, servants, employees, and those persons or entities in active concert or
8 participation with them who receive actual notice of this Order by personal
9 service, facsimile transmission, email, or otherwise, whether acting directly or
10 through any corporation, subsidiary, division, or other device, in connection
11 with the advertising, marketing, promotion, offering for sale, or sale of any
12 product, service, plan, or program are hereby permanently restrained and
13 enjoined from misrepresenting or assisting others in misrepresenting,
14 expressly or by implication, any material fact, including but not limited to:

15 A. Any material aspect of the performance, efficacy, nature, or
16 characteristics of the product, service, plan, or program.

17 B. That any person is affiliated with, endorsed or approved by, or
18 otherwise connected to any other person, government entity, any federal
19
20
21
22
23
24
25
26
27
28

1 F. Any material aspect of the nature or terms of any refund, cancellation,
2 exchange, or repurchase policy, including, but not limited to, the
3 likelihood of a consumer obtaining a full or partial refund, or the
4 circumstances in which a full or partial refund will be granted to the
5 consumer.

6 **SUBSTANTIATION FOR BENEFIT, PERFORMANCE, AND EFFICACY**
7 **CLAIMS**
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

1 A. Judgment is hereby entered against Settling Defendants, jointly and
2 severally, in the amount of \$1.75 million. This amount shall become
3 immediately due and payable by Settling Defendants upon entry of this
4 Order, and interest computed at the rate prescribe under 28 U.S.C. §
5 1961, as amended, shall immediately begin to accrue on the unpaid
6 balance.

7 B. The following banks shall make the following transfers:

- 8 1. US Bank shall transfer to the FTC or its designated
9 agent all funds, if any, held by or in the name of Settling
10 Defendants Brian Pacios or NLN, including, but not limited to
11 account number xxxx9497.
- 12 2. JP Morgan Chase shall transfer to the FTC or its designated
13 agent all funds, if any, held by or in the name of Settling
14 Defendants Brian Pacios or NLN, including, but not limited to
15 account numbers xxxx4854 and xxxx9828.
- 16 3. Comerica Incorporated shall transfer to the FTC or its designated
17 agent all funds, if any, held by or in the name of Settling
18 Defendants Brian Pacios or NLN, including, but not limited to
19 account number xxxx7593.

20 Such funds shall constitute partial satisfaction of the judgment set forth
21 in Subparagraph A.

22 C. Within five days of the date of entry of this Order, as partial satisfaction
23 of the judgment set forth in Subparagraph A, defendant Brian Pacios
24 shall take the following actions to turn over to the FTC or its designated
25 agent the following assets:

- 26 1. Brian Pacios shall initiate, and complete within thirty days,
27 liquidation of his Apple Blossom Arbitrage LLC investment and
28 immediately transfer the proceeds to the FTC;

1 2. Brian Pacios shall initiate specific steps, as set forth below, to sell
2 the properties located at 3704 Smoking Gun Ct., Las Vegas, NV
3 89129, and at 9117 Starling Wing Pl., Law Vegas, NV 89143,
4 and his Ferrari 430 (the “Properties”), and immediately transfer
5 the proceeds from each to the FTC;

6 a. Brian Pacios shall sell the Properties upon terms and
7 conditions acceptable to the FTC. Brian Pacios shall
8 promptly comply with all steps necessary to effectuate the
9 sales, including, but not limited to, signing listing contracts
10 for the real properties with independent real estate agents,
11 appropriately listing for sale the Ferrari 430, keeping the
12 Properties in good repair, keeping the Properties in
13 conditions suitable for showing to prospective purchasers;
14 signing contracts for the sale of the Properties; signing all
15 documents necessary or appropriate for the transfer of the
16 Properties to new buyers; and any reasonable requests from
17 the FTC related to those sales;

18 b. Brian Pacios shall notify undersigned FTC counsel of the
19 amount of any offer to purchase any of the Properties
20 immediately upon receiving each such offer. Acceptance
21 of any such offer shall be in the sole discretion of FTC
22 counsel;

23 c. If, after six (6) months from the date of entry of this Order,
24 any of the Properties have not been sold, Brian Pacios shall
25 immediately retain an auction company, and direct such
26 auction company to sell each property at a public auction,
27 provided that Brian Pacios shall first obtain from
28 undersigned FTC counsel written approval of the auction

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

1 any bankruptcy case. Settling Defendants further stipulate and agree
2 that the facts alleged in the Complaint establish all elements necessary
3 to sustain an action by the FTC pursuant to Section 523(a)(2)(A) of the
4 Bankruptcy Code, 11 U.S.C. § 523(a)(2)(A), and that this Order shall
5 have collateral estoppel effect for such purposes.

6 I. In accordance with 31 U.S.C. § 7701, Settling Defendants are hereby
7 required, unless they already have done so, to furnish to the FTC all of
8 their taxpayer identifying numbers, which shall be used for purposes of
9 collecting and reporting on any delinquent amount arising out of their
10 relationship with the government.

11 J. Pursuant to Section 604(a)(1) of the Fair Credit Reporting Act, 15
12 U.S.C. § 1681b(a)(1), any consumer reporting agency may furnish a
13 consumer report concerning Defendant Brian Pacios, which shall be
14 used for purposes of collecting and reporting on any delinquent amount
15 arising out of this Order.

16 **DISSOLUTION OF ASSET FREEZE**

17 **VII. IT IS FURTHER ORDERED** that the freeze of the Assets of Settling
18 Defendants shall remain in effect until the assets have been transferred in
19 accordance with Subsections VI.B and VI.C.1, and Defendant Pacios has
20 initiated specific steps in accordance with Subsection VI.C.2, provided
21 however, that the Asset freeze may be lifted to the extent necessary to comply
22 with the transfer and turnover requirements of Section VI. A financial
23 institution shall be entitled to rely upon a letter from the counsel for the
24 Commission stating that the freeze of the Assets of Settling Defendants has
25 been lifted.

26 **COOPERATION WITH FTC**

27 **VIII. IT IS FURTHER ORDERED** that Defendant Brian Pacios shall, in
28 connection with this action or any subsequent investigation or litigation related to or

1 associated with the transactions or the occurrences that are the subject of the
2 Complaint:

3 A. cooperate in good faith with the FTC and appear at such places and
4 times as the FTC shall reasonably request, after written notice, for
5 interviews, conferences, pretrial discovery, review of documents, and
6 for such other matters as may be reasonably requested by the FTC. If
7 requested in writing by the FTC, Defendant Brian Pacios shall appear
8 and provide truthful testimony in any trial, deposition, or other
9 proceeding related to or associated with the transactions or the
10 occurrences that are the subject of the Complaint, without the service of
11 a subpoena, *provided, however*, that Defendant Brian Pacios shall be
12 entitled to receive any witness fees and expenses allowable pursuant to
13 Federal Rule of Civil Procedure 45.

14 B. Within five days of entry of this order, Defendant Brian Pacios shall
15 provide counsel for the FTC with a written notice setting forth his
16 current residence address, mailing a
17
18
19
20
21
22
23
24
25
26
27
28

- 1 A. Each Defendant, within seven (7) days of entry of this Order, must
2 submit to the FTC an acknowledgment of receipt of this Order sworn
3 under penalty of perjury.
- 4 B. For five (5) years after entry of this Order, Defendant Brian Pacios, for
5 any business that he, individually or collectively with any other
6 defendant in this action, is the majority owner or directly or indirectly
7 controls, must deliver a copy of this Order to: (1) all principals,
8 officers, directors, and managers; (2) all employees, agents, and
9 representatives who participate in conduct related to the marketing of
10 any financial related product or service; and (3) any business entity
11 resulting from any change in structure as set forth in the Section titled
12 Compliance Reporting. Delivery must occur within seven (7) days of
13 entry of this Order for current personnel. To all others, delivery must
14 occur before they assume their responsibilities.
- 15 C. From each individual or entity to which a Defendant delivered a copy of
16 this Order, that Defendant must obtain, within 30 days, a signed and
17 dated acknowledgment of receipt of this Order.

18 COMPLIANCE REPORTING

19 **X. IT IS FURTHER ORDERED** that Settling Defendants make timely
20 submissions to the FTC:

- 21 A. One year after entry of this Order, each Defendant must submit a
22 compliance report, sworn under penalty of perjury.
- 23 1. Each Defendant must: (a) designate at least one telephone
24 number and an email, physical, and postal address as points of
25 contact, which representatives of the FTC may use to
26 communicate with Defendant; (b) identify all of that Defendant's
27 businesses by all of their names, telephone numbers, and
28 physical, postal, email, and Internet addresses; (c) describe the

1 activities of each business, including the products and services
2 offered, the means of advertising, marketing, and sales, and the
3 involvement of any other defendant in this action (which
4 Defendant Brian Pacios must describe if he knows or should
5 know due to his own involvement); (d) describe in detail whether
6 and how that Defendant is in compliance with each Section of
7 this Order; and (e) provide a copy of each Order
8 Acknowledgment obtained pursuant to this Order, unless
9 previously submitted to the FTC;

10 2. Additionally, Defendant Brian Pacios must: (a) identify all
11 telephone numbers and all email, Internet, physical, and postal
12 addresses, including all residences; (b) identify all titles and roles
13 in all business activities, including any business for which
14 Defendant Brian Pacios performs services whether as an
15 employee or otherwise and any entity of which he has direct or
16 indirect control; and (c) describe in detail his involvement in each
17 such business, including title, role, responsibilities, participation,
18 authority, control, and any ownership.

19 B. For 20 years following entry of this Order, each Defendant must submit
20 a compliance notice, sworn under penalty of perjury, within 14 days of
21 any change in the following:

22 1. Each Defendant must report any change in the following information:
23
24
25
26
27
28

1 2. Additionally, Defendant Brian Pacios must report any change in:
2 (a) name, including aliases or fictitious name, or residence
3 address; or (b) title or role in any business activity, including any
4 business for which Defendant Brian Pacios performs services
5 whether as an employee or otherwise and any entity of which he
6 has direct or indirect control, and identify its name, physical
7 address, and Internet address, if any.

8 C. Each Defendant must submit to the FTC notice of the filing of any
9 bankruptcy petition, insolvency proceeding, or any similar proceeding
10 by or against such Defendant within 14 days of its filing.

11 D. Any submission to the FTC required by this Order to be sworn under
12 penalty of perjury must be true and accurate and comply with 28 U.S.C.
13 § 1746, such as by concluding: “I declare under penalty of perjury
14 under the laws of the United States of America that the foregoing is true
15 and correct. Executed on: _____” and supplying the date, signatory’s
16 full name, title (if applicable), and signature.

17 E. Unless otherwise directed by a FTC representative in writing, all
18 submissions to the FTC pursuant to this Order must be emailed to
19 DEbrief@ftc.gov or sent by overnight courier (not the U.S. Postal
20 Service) to: Associate Director for Enforcement, Bureau of Consumer
21 Protection, Federal Trade FTC, 600 Pennsylvania Avenue NW,
22 Washington, DC 20580. The subject line must begin: *FTC v. Sameer*
23 *Lakhany et al.*, Case No. SACV12-0337-CJC(JPRx) (C.D. Cal.) [FTC
24 File No. X120014].

RECORDKEEPING

1
2 **XI. IT IS FURTHER ORDERED** that Settling Defendants must create certain
3 records for 20 years after entry of the Order, and retain each such record for
4 five (5) years. Specifically, Defendant NLN, in connection with the
5 advertising, marketing, promotion, offering for sale, or sale of any product,
6 service, plan, or program, and Defendant Brian Pacios, in connection with any
7 business in which he, individually or collectively with any other defendant in
8 this action, is the majority owner or directly or indirectly controls, must
9 maintain the following records:

- 10 A. Accounting records showing the revenues from all goods or services
11 sold, all costs incurred in generating those revenues, and the resulting
12 net profit or loss;
- 13 B. Personnel records showing, for each person providing services, whether
14 as an employee or otherwise, that person's: name, addresses, and
15 telephone numbers; job title or position; dates of service; and, if
16 applicable, the reason for termination;
- 17 C. Complaints and refund requests, whether received directly or indirectly,
18 such as through a third party, and any response;
- 19 D. All records necessary to demonstrate full compliance with each
20 provision of this Order, including all submissions to the FTC; and
- 21 E. A copy of each advertisement or other marketing material related to the
22 marketing or telemarketing of any good or service, or the acquisition or
23 sale of marketing leads for any good or service.

24 **COMPLIANCE MONITORING**

25 **XII. IT IS FURTHER ORDERED** that, for the purpose of monitoring Settling
26 Defendants' compliance with this Order, including the financial
27 representations upon which the judgment was suspended and any failure to
28 transfer any assets as required by this Order:

