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13 **UNITED STATES DISTRICT COURT**
14 **CENTRAL DISTRICT OF CALIFORNIA**

15 FEDERAL TRADE COMMISSION,
16 Plaintiff,
17 v.
18 RINCON MANAGEMENT
19 SERVICES, LLC, et al.,
20 Defendants.

Case No. EDCV11-01623 VAP (SPx)

**[Proposed] FINAL ORDER FOR
PERMANENT INJUNCTION AND
MONETARY JUDGMENT
AGAINST DEFENDANTS JASON
R. BEGLEY AND WAYNE W.
LUNSFORD**

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23 Plaintiff, the Federal Trade Commission (“Commission” or “FTC”) filed its
24 Complaint for Permanent Injunction and Other Equitable Relief [Dkt. 1],
25 subsequently amended as First Amended Complaint for Permanent Injunction and
26 Other Equitable Relief [Dkt. 162] (collectively, “Complaint”), for a permanent
27 injunction and other equitable relief in this matter, pursuant to Sections 13(b) and
28 19 of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 53(b) and
57b, and Section 814 of the Fair Debt Collection Practices Act (“FDCPA”), 15

1 U.S.C. § 1692l [Dkt. 162]. The Commission and Defendants Jason R. Begley and
2 Wayne W. Lunsford (“Settling Defendants”) having agreed in the “Stipulation To
3 Enter Final Order for Permanent Injunction and Monetary Judgment Against
4 Defendants Jason R. Begley and Wayne W. Lunsford,” hereby request that the
5 Court enter this Final Order for Permanent Injunction and Monetary Judgment
6 Against Defendants Jason R. Begley and Wayne W. Lunsford (“Order”) to resolve
7 all matters in dispute between the FTC and Settling Defendants:

8 **FINDINGS**

9 By stipulation of the Commission and Settling Defendants, the Court finds:

10 1. The Court has jurisdiction over this matter.

11 2. The Complaint charges that Defendants participated in deceptive acts
12 or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a) and
13 Sections 805(b), 806(6), 807, 809(a) of the FDCPA, 15 U.S.C. §§ 1692c(b),
14 1692d(6), 1692e, 1692g(a), in the collection of consumer debt.

15 3. Settling Defendants neither admit nor deny any of the allegations in
16 the Complaint, except as specifically stated in this Order. Only for purposes of this
17 action, Settling Defendants admit the facts necessary to establish jurisdiction.

18 4. Settling Defendants waive any claim that they may have under the
19 Equal Access to Justice Act, 28 U.S.C. § 2412, concerning the prosecution of this
20 action through the date of this Order, and agree to bear their own costs and
21 attorney fees.

22 5. Settling Defendants stipulate that the assets identified in Section III
23 titled Monetary Judgment and Partial Suspension as to Settling Defendants is
24 derived from payments made by consumers and attributable to the acts and
25 practices alleged in the Complaint. Therefore, said property is subject to a
26 constructive trust for consumers; Settling Defendants hold only legal title and not
27 an equitable interest in said assets.

1 7. “*Financial-related product or service*” means any product, service,
2 plan, or program represented, expressly or by implication, to: (a) provide to any
3 consumer, arrange for any consumer to receive, or assist any consumer in
4 receiving, an extension of consumer credit; (b) provide to any consumer, arrange
5 for any consumer to receive, or assist any consumer in receiving, credit repair
6 services; (c) provide to any consumer, arrange for any consumer to receive, or
7 assist any consumer in receiving, any secured or unsecured debt relief product or
8 service.

9 8. “*Person*” means a natural person, organization, or other legal entity,
10 including a corporation, partnership, proprietorship, association, cooperative, or
11 any other group or combination acting as an entity.

12 9. “*Receiver*” means Richard Weissman appointed as Receiver in the
13 Preliminary Injunction in this matter [Dkt. 40].

14 10. “*Receivership Defendants*” means the following entities under
15 receivership pursuant to the Preliminary Injunction [Dkt. 40]: Rincon
16 Management Services, LLC also d/b/a “Rincon Debt Management,” “Rincon
17 Filing Services,” and “Pacific Management Recovery”; Prime West Management
18 Recovery, LLC; Union Management Services, LLC also d/b/a “Union Filing
19 Services”; National Filing Services, LLC; City Investment Services, LLC; Global
20 Filing Services, LLC; Pacific Management Recovery, LLC; Nationwide Filing
21 Services, Inc.; Worldwide Filing Services, Inc.; Maple Filing Services, LLC;
22 Southcoast Financial Services, Inc.; National Filing Services, LLC; Raincross
23 Filing Services, Inc.; Pacific Management and Recovery, LLC; Prime Western
24 Investments, LLC; Universal Filing Services, Inc.; Rockwell Management
25 Services, LLC; Asset Filing Services, Inc.; Eagle Filing Services, LLC; Capital
26 Filing Services, Inc.; County Filing Services, Inc.; Irvine Group & Associates;
27 Statewide Associates Group; Superior Filing Services, Inc.; West Coast Filing
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1 Services, Inc.; Bagels Consulting Firm, Inc.; Lunsford Investment and
2 Management Services, Inc.; Debt Marketing Solutions, LLC; Debt Tech
3 Solutions, LLC; Heavy Hitters Investments, Inc.; Heavy Hitters Motors, Inc.;
4 Heavy Hitters Real Estate, Inc.; Portfolio Investment Partners, LP; Portfolio
5 Investments Partners, Inc.; Portfolio Investment Group, LP; Portfolio Investment
6 Financial, Inc.; Skyridge Legacy Trust (Jason R. Begley, Trustee); WAL Legacy
7 Trust (Wayne Lunsford, Trustee); Spiff Money Legacy Gift Trust (Wayne
8 Lunsford, Trustee); JRB Intellect, LLC; JBEG, LLC; LAL Intellect, LLC; Heavy
9 Hitters Spiff Money Management Corp.; Spiff Management, Inc., and each of them
10 by whatever names they might be known.

11 11. ***“Secured or unsecured debt relief product or service”*** means, with
12 respect to any mortgage, loan, debt, or obligation between a person and one or
13 more secured or unsecured creditors or debt collectors, any product, service, plan,
14 or program represented, expressly or by implication, to (a) negotiate, settle, or in
15 any way alter the terms of payment or other terms of the mortgage, loan, debt, or
16 obligation, including but not limited to, a reduction in the amount of interest,
17 principal balance, monthly payments, or fees owed by a person to a secured or
18 unsecured creditor or debt collector; (b) stop, prevent, or postpone any mortgage or
19 deed of foreclosure sale for a person’s dwelling, any other sale of collateral, any
20 repossession of a person’s dwelling or other collateral, or otherwise save a person’s
21 dwelling or other collateral from foreclosure or repossession; (c) obtain any
22 forbearance or modification in the timing of payments from any secured or
23 unsecured holder of any mortgage, loan, debt, or obligation; (d) negotiate, obtain,
24 or arrange any extension of the period of time within which the person may (i) cure
25 his or her default on the mortgage, loan, debt, or obligation, (ii) reinstate his or her
26 mortgage, loan, debt, or obligation, (iii) redeem a dwelling or other collateral, or
27 (iv) exercise any right to reinstate the mortgage, loan, debt, or obligation or redeem
28 a dwelling or other collateral; (e) obtain any waiver of an acceleration clause or

1 balloon payment contained in any promissory note or contract secured by any
2 dwelling or other collateral; or (f) negotiate, obtain, or arrange (i) a short sale of a
3 dwelling or other collateral, (ii) a deed-in-lieu of foreclosure, or (iii) any other
4 disposition of a mortgage, loan, debt, or obligation other than a sale to a third party
5 that is not the secured or unsecured loan holder. The foregoing shall include any
6 manner of claimed assistance, including, but not limited to, auditing or examining
7 a person's application for the mortgage, loan, debt, or obligation.

8 **ORDER**

9 **I. DEBT COLLECTION BAN**

10 IT IS ORDERED that Settling Defendants are permanently restrained and
11 enjoined from:

- 12 A. Engaging in debt collection activities;
- 13 B. Assisting others engaged in debt collection activities; and
- 14 C. Advertising, marketing, promoting, offering for sale, selling, or
15 assisting others engaged in the advertising, marketing, promoting, offering for sale,
16 or selling, of any portfolio of consumer or commercial debt and any program that
17 gathers, organizes, or stores consumer information relating to a debt or debt
18 collection activities.

19 **II. PROHIBITED MISREPRESENTATIONS RELATING TO**
20 **FINANCIAL-RELATED PRODUCTS OR SERVICES**

21 IT IS FURTHER ORDERED that the Settling Defendants, Settling
22 Defendants' officers, agents, servants, employees, and attorneys, and all other
23 persons in active concert or participation with any of them, who receive actual
24 notice of this Order, whether acting directly or indirectly, in connection with the
25 advertising, marketing, promotion, offering for sale or sale of any financial-related
26 product or service, are permanently restrained and enjoined from:

- 27 A. Misrepresenting or assisting others in misrepresenting, expressly or by
28 implication, any material fact, including but not limited to:

1 1. The terms or rates that are available for any loan or other extension of
2 credit;

3 2. Any person's ability to improve or otherwise affect a consumer's
4 credit record, credit history, credit rating, or ability to obtain credit;

5 3. That any person can improve any consumer's credit record, credit
6 history, or credit rating by permanently removing negative information from the
7 consumer's credit record, credit history, or credit rating, even where such
8 information is accurate and not obsolete;

9 4. Any aspect of any secured or unsecured debt relief product or service,
10 including but not limited to, the amount of savings a consumer will receive from
11 purchasing, using, or enrolling in such secured or unsecured debt relief product or
12 service; the amount of time before which a consumer will receive settlement of that
13 consumer's debts; or the reduction or cessation of collection calls;

14 5. That a consumer will receive legal representation;

15 6. That any particular outcome or result from a financial-related product
16 or service is guaranteed, assured, highly likely or probable, or very likely or
17 probable;

18 7. The nature or terms of any refund, cancellation, exchange, or
19 repurchase policy, including, but not limited to, the likelihood of a consumer
20 obtaining a full or partial refund, or the circumstances in which a full or partial
21 refund will be provided to the consumer; and

22 8. Any other fact material to consumers concerning any financial-related
23 product or service, such as: the total costs; any material restrictions, limitations, or
24 conditions; or any material aspect of its performance, efficacy, nature, or central
25 characteristics; and

26 B. Advertising or assisting others in advertising credit terms other than
27 those terms that actually are or will be arranged or offered by a creditor or lender.
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1 D. Settling Defendants hereby grant to the Commission all legal and
2 equitable right, title, and interest in all assets held by the Receiver including those
3 in the name of and for the benefit of Settling Defendants and Receivership
4 Defendants. After satisfaction of any Court-authorized payments to the Receiver,
5 the Receiver shall transfer Settling Defendants’ and Receivership Defendants’
6 remaining assets and the net proceeds, if any, from the sale of any remaining assets
7 belonging to the Settling Defendants and Receivership Defendants, to the
8 Commission. Any assets or proceeds turned over to the Commission as part of this
9 Section shall be applied to the Equitable Judgment, with the remainder of the
10 Equitable Judgment suspended as described in this Section.

11 E. Settling Defendants further stipulate that they will cooperate fully to
12 effectuate any asset transfer or assignment of right pursuant to this Section, and
13 within 7 days of a written request by a representative of the Commission, shall
14 execute all documents and take all actions necessary to do so.

15 G. The Commission’s agreement to the suspension of part of the
16 Equitable Judgment is expressly premised upon the truthfulness, accuracy, and
17 completeness of Settling Defendants’ sworn financial statements and related
18 documents (collectively, “financial representations”), submitted to the
19 Commission, namely those documents identified in Attachment A hereto.

20 H. The suspension of the Equitable Judgment will be lifted as to any
21 Settling Defendant if, upon motion by the Commission, the Court finds that
22 Settling Defendant failed to disclose any material asset, materially misstated the
23 value of any asset, or made any other material misstatement or omission in the
24 financial representations identified in Attachment A.

25 I. If the suspension of the Equitable Judgment is lifted, the Equitable
26 Judgment becomes immediately due as to that Settling Defendant in the amount
27 specified in Subsection A above, which the parties stipulate only for purposes of
28 this Section represents the consumer injury alleged in the Complaint, less any

1 payment previously made to the Commission pursuant to this Section, plus interest
2 computed from the date of entry of this Order.

3 **IV. SECOND MONETARY JUDGMENT AS TO DEFENDANT**

4 **JASON R. BEGLEY**

5 A. Judgment in the amount of ONE HUNDRED SEVENTY-SIX
6 THOUSAND ONE HUNDRED FIFTEEN DOLLARS (\$176,115) is entered in
7 favor of the Commission against Defendant Jason R. Begley, individually, and is
8 immediately due and collectible (hereinafter “Begley Contempt Judgment”).

9 B. Jason R. Begley further agrees that, should any gold or silver,
10 referenced in Section III.B above, come into his possession, custody, or control at
11 any point in the future, Jason R. Begley will immediately liquidate the gold and/or
12 silver and turn over the proceeds to the Commission as a partial satisfaction of the
13 Begley Contempt Judgment.

14 C. No portion of any funds or assets turned over to the Commission
15 pursuant to Section III will pay down the Begley Contempt Judgment.

16 **V. SECOND MONETARY JUDGMENT AS TO DEFENDANT**

17 **WAYNE W. LUNSFORD**

18 A. Judgment in the amount of ONE HUNDRED THIRTY-FOUR
19 THOUSAND DOLLARS (\$134,000) is entered in favor of the Commission
20 against Defendant Wayne W. Lunsford, individually, and is immediately due and
21 collectible (hereinafter “Lunsford Contempt Judgment”).

22 B. No portion of any funds or assets turned over to the Commission
23 pursuant to Section III will pay down the Lunsford Contempt Judgment.

24 **VI. ADDITIONAL MONETARY PROVISIONS**

25 IT IS FURTHER ORDERED that:

26 A. Settling Defendants relinquish dominion and all legal and equitable
27 right, title, and interest in all assets transferred pursuant to this Order and may not
28 seek the return of any assets.

1 B. The facts alleged in the Complaint will be taken as true, without
2 further proof, in any subsequent civil litigation by or on behalf of the Commission,
3 including in a proceeding to enforce its rights to any payment or monetary
4 judgment pursuant to this Order, such as a nondischargeability complaint in any
5 bankruptcy case.

6 C. The facts alleged in the Complaint establish all elements necessary to
7 sustain an action by the Commission pursuant to Section 523(a)(2)(A) of the
8 Bankruptcy Code, 11 U.S.C. § 523(a)(2)(A), and this Order will have collateral
9 estoppel effect for such purposes.

10 D. Settling Defendants acknowledge that their Taxpayer Identification
11 Numbers (Social Security Numbers or Employer Identification Numbers), which
12 Defendants previously submitted to the Commission, may be used for collecting
13 and reporting on any delinquent amount arising out of this Order, in accordance
14 with 31 U.S.C. § 7701.

15 E. All money paid to the Commission pursuant to this Order may be
16 deposited into a fund administered by the Commission or its designee to be used
17 for equitable relief, including consumer redress and any attendant expenses for the
18 administration of any redress fund. If a representative of the Commission decides
19 that direct redress to consumers is wholly or partially impracticable or money
20 remains after redress is completed, the Commission may apply any remaining
21 money for such other equitable relief (including consumer information remedies)
22 as it determines to be reasonably related to Settling Defendants' practices alleged
23 in the Complaint. Any money not used for such equitable relief is to be deposited
24 to the U.S. Treasury as disgorgement. Settling Defendants have no right to
25 challenge any actions the Commission or its representatives may take pursuant to
26 this Subsection.

1 for interviews, discovery, hearings, trials, and any other proceedings that a
2 Commission representative may reasonably request upon 5 days written notice, or
3 other reasonable notice, at such places and times as a Commission representative
4 may designate, without the service of a subpoena.

5 **IX. ORDER ACKNOWLEDGMENTS**

6 IT IS FURTHER ORDERED that Settling Defendants obtain
7 acknowledgments of receipt of this Order:

8 A. Each Settling Defendant, within 7 days of entry of this Order, must
9 submit to the Commission an acknowledgment of receipt of this Order sworn
10 under penalty of perjury.

11 B. For 15 years after entry of this Order, each Settling Defendant for any
12 business that such Settling Defendant, individually or collectively with any other
13 Defendants, is the majority owner or controls directly or indirectly, must deliver a
14 copy of this Order to: (1) all principals, officers, directors, and LLC managers and
15 members; (2) all employees, agents, and representatives who participate in the
16 collection of consumer debt; and (3) any business entity resulting from any change
17 in structure as set forth in the Section titled Compliance Reporting. Delivery must
18 occur within 7 days of entry of this Order for current personnel. For all others,
19 delivery must occur before they assume their responsibilities.

20 C. From each individual or entity to which a Settling Defendant
21 delivered a copy of this Order, that Settling Defendant must obtain, within 30 days,
22 a signed and dated acknowledgment of receipt of this Order.

23 **X. COMPLIANCE REPORTING**

24 IT IS FURTHER ORDERED that Settling Defendants make timely
25 submissions to the Commission:

26 A. One year after entry of this Order, each Settling Defendant must
27 submit a compliance report, sworn under penalty of perjury:
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1 1. Each Settling Defendant must: (a) identify the primary physical,
2 postal, and email address and telephone number, as designated points of contact,
3 which representatives of the Commission may use to communicate with Settling
4 Defendant; (b) identify all of that Settling Defendant's businesses by all of their
5 names, telephone numbers, and physical, postal, email, and Internet addresses; (c)
6 describe the activities of each business, including the goods and services offered,
7 the means of advertising, marketing, and sales, and the involvement of any other
8 Defendant (which Settling Defendants must describe if they know or should know
9 due to their own involvement); (d) describe in detail whether and how that Settling
10 Defendant is in compliance with each Section of this Order; and (e) provide a copy
11 of each Order Acknowledgment obtained pursuant to this Order, unless previously
12 submitted to the Commission.

13 2. Additionally, each Settling Defendant must: (a) identify all
14 telephone numbers and all physical, postal, email, and Internet addresses, including
15 all residences; (b) identify all business activities, including any business for which
16 such Settling Defendant performs services whether as an employee or otherwise
17 and any entity in which such Settling Defendant has any ownership interest; and
18 (c) describe in detail such Settling Defendant's involvement in each such business,
19 including title, role, responsibilities, participation, authority, control, and any
20 ownership.

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

24 1. Each Settling Defendant must report any change in: (a) any
25 designated point of contact; or (b) the structure of any entity that Settling
26 Defendant has any ownership interest in or controls directly or indirectly that may
27 affect compliance obligations arising under this Order, including: creation, merger,
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1 sale, or dissolution of the entity or any subsidiary, parent, or affiliate that engages
2 in any acts or practices subject to this Order.

3 2. Additionally, each Settling Defendant must report any change
4 in: (a) name, including aliases or fictitious name, or residence address; or (b) title
5 or role in any business activity, including any business for which such Settling
6 Defendant performs services whether as an employee or otherwise and any entity
7 in which such Settling Defendant has any ownership interest, and identify the
8 name, physical address, and any Internet address of the business or entity.

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

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

18 E. Unless otherwise directed by a Commission representative in writing,
19 all submissions to the Commission pursuant to this Order must be emailed to
20 DEbrief@ftc.gov or sent by overnight courier (not the U.S. Postal Service) to:
21 Associate Director for Enforcement, Bureau of Consumer Protection, Federal
22 Trade Commission, 600 Pennsylvania Avenue NW, Washington, DC 20580. The
23 subject line must begin: FTC v. Rincon Management Services, et al., X120019.

24 **XI. RECORDKEEPING**

25 IT IS FURTHER ORDERED that Settling Defendants must create certain
26 records for 20 years after entry of the Order, and retain each such record for 5
27 years. Specifically, each Settling Defendant for any business that such Settling
28 Defendant, individually or collectively with any other Defendants, is a majority

1 owner or controls directly or indirectly, must create and retain the following
2 records:

3 A. Accounting records showing the revenues from all goods or services
4 sold;

5 B. Personnel records showing, for each person providing services,
6 whether as an employee or otherwise, that person's: name; addresses; telephone
7 numbers; job title or position; dates of service; and (if applicable) the reason for
8 termination;

9 C. Records of all consumer complaints and refund requests, whether
10 received directly or indirectly, such as through a third party, and any response; and

11 D. All records necessary to demonstrate full compliance with each
12 provision of this Order, including all submissions to the Commission.

13 **XII. COMPLIANCE MONITORING**

14 IT IS FURTHER ORDERED that, for the purpose of monitoring Settling
15 Defendants' compliance with this Order, including the financial representations
16 upon which part of the Equitable Judgment was suspended and any failure to
17 transfer any assets as required by this Order:

18 A. Within 14 days of receipt of a written request from a representative of
19 the Commission, each Settling Defendant must: submit additional compliance
20 reports or other requested information, which must be sworn under penalty of
21 perjury; appear for depositions; and produce documents for inspection and
22 copying. The Commission is also authorized to obtain discovery, without further
23 leave of court, using any of the procedures prescribed by Federal Rules of Civil
24 Procedure 29, 30 (including telephonic depositions), 31, 33, 34, 36, 45, and 69.

25 B. For matters concerning this Order, the Commission is authorized to
26 communicate directly with each Settling Defendant. Settling Defendants permit
27 representatives of the Commission to interview any employee or other person
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1 affiliated with any Settling Defendant who has agreed to such an interview. The
2 person interviewed may have counsel present.

3 C. The Commission may use all other lawful means, including posing,
4 through its representatives, as consumers, suppliers, or other individuals or entities,
5 to Settling Defendants, or any individual or entity affiliated with Settling
6 Defendants, without the necessity of identification or prior notice. Nothing in this
7 Order limits the Commission's lawful use of compulsory process, pursuant to
8 Sections 9 and 20 of the FTC Act, 15 U.S.C. §§ 49, 57b-1.

9 **XIII. RETENTION OF JURISDICTION**

10 IT IS FURTHER ORDERED that this Court retains jurisdiction of this
11 matter for purposes of construction, modification, and enforcement of this Order.

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13 **IT IS SO ORDERED.**



14 DATE: March 26, 2014

15 _____
16 Hon. Virginia A. Phillips
17 UNITED STATES DISTRICT JUDGE
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