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

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

SAMEER LAKHANY, *et al.*

Defendants.

Case No. SACV 12-00337-CJC(JPRx)

**STIPULATED FINAL
JUDGMENT, ORDER FOR
COMPENSATORY CONTEMPT
RELIEF, AND MODIFIED ORDER
FOR PERMANENT INJUNCTION
AND OTHER EQUITABLE
RELIEF AS TO DEFENDANT
BRIAN PACIOS**

Judge: Hon. Cormac J. Carney

1 Plaintiff Federal Trade Commission (“Commission” or “FTC”) filed its
2 Motion to Find Defendant Brian Pacios in Contempt (“Contempt Motion”) (DE
3 167, Apr. 28, 2015) based on Defendant’s violation of the Order entered by this
4 Court on February 28, 2013 (“2013 Order”). The Commission and Defendant
5 Brian Pacios stipulate to the entry of this Stipulated Final Judgment, Order for
6 Compensatory Contempt Relief, and Modified Order for Permanent Injunction and
7 Other Equitable Relief As to Defendant Brian Pacios (“Order”) to resolve all
8 matters in dispute in this contempt proceeding. This Order also resolves all
9 matters in dispute between the FTC and Defendant Brian Pacios (“Pacios”) in the
10 related case, *FTC v. Lake, et al.*, SACV 15-00585-CJC.

11 THEREFORE IT IS ORDERED as follows:

12 **FINDINGS**

- 13 1. This Court has jurisdiction over this matter.
- 14 2. The Commission’s Contempt Motion and subsequent filings allege
15 that Defendant Brian Pacios violated the 2013 Order that bans Pacios from
16 working on mortgage assistance relief products or services and prohibits him from
17 misrepresenting any fact material to a consumer’s decision to buy any product or
18 service.
- 19 3. As a result of Pacios’ violative behavior, consumers suffered injury of
20 Two Million, Seven Hundred and Forty-Two Thousand, Three Hundred Ninety-
21 Six Dollars (\$2,742,396.00).
- 22 4. Specifically, Pacios, through his work with Chad Caldaronello, Justin
23 Moreira, Derek Nelson, C.C. Enterprises, Inc. (also d/b/a HOPE Services, Trust
24 Payment Center, and Retention Division), D.N. Marketing, Inc. (also d/b/a HAMP
25 Services and Trial Payment Processing) (collectively “HOPE Services”), and
26 Denny Lake (individually and also d/b/a JD United, U.S. Crush, Advocacy
27 Division, Advocacy Department, Advocacy Agency, and Advocacy Program)

1 (collectively “Advocacy Department”), violated the 2013 Order’s ban on working
2 on mortgage assistance relief products or services and prohibition on
3 misrepresenting any fact material to a consumer’s decision to buy any product or
4 service.

5 5. Pacios worked with HOPE Services and Advocacy Department to
6 operate a loan modification scam targeting homeowners facing foreclosure.

7 6. Pacios reviewed and approved all of the mailers HOPE Services sent
8 to consumers from the beginning of the scam in 2014 until the scam was stopped
9 by law enforcement on April 16, 2015.

10 7. HOPE Services’ mailers included numerous material
11 misrepresentations that were likely to mislead consumers acting reasonably under
12 the circumstances. Specifically, the mailers misrepresented that the entity sending
13 the mailers was affiliated with the U.S. Government, implied that the consumer
14 could obtain a government-backed loan modification by calling the number on the
15 mailer, and failed to make the disclosures required by the Mortgage Assistance
16 Relief Services (“MARS”) Rule, 12 C.F.R. Part 1015.

17 8. Pacios also operated a robo-calling device that telephoned consumers.
18 The device gave a return number with a Washington, D.C. area code, despite the
19 fact that he was not calling from Washington, D.C. The message that callers heard
20 when they received the call similarly made material misrepresentations, implying
21 that the calls came from a government-affiliated entity that could provide a
22 government-backed loan modification. The phone message also failed to include
23 the disclaimers required by the MARS Rule.

24 9. When consumers called the numbers on the mailers or pressed certain
25 numbers in response to the robo-calls, they were routed to HOPE Services, where
26 Pacios, and people he directed, answered the phones.

27 10. Pacios, and the people he directed at HOPE Services, falsely told
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1 consumers that HOPE Services would obtain loan modifications for them that
2 would make their payments substantially more affordable, would substantially
3 lower their interest rates, or would help them avoid foreclosure.

4 11. Pacios, and the people he directed at HOPE Services, falsely told
5 consumers that HOPE Services was affiliated with, endorsed or approved by, or
6 otherwise associated with the United States government, the Making Home
7 Affordable program, the Department of Housing and Urban Development, or the
8 Neighborhood Assistance Corporation of America. They also falsely told
9 consumers that HOPE Services communicated with specialized departments,
10 divisions, or “higher-ups” at the maker, holder, or servicer of the consumer’s
11 dwelling loan.

12 12. Pacios, and the people he directed at HOPE Services, then falsely told
13 consumers that their applications for loan modifications were approved, and that
14 the consumers need only submit some additional paperwork, as well as three trial
15 mortgage payments, and in some instances, a “reinstatement fee.”

16 13. Consumers were falsely told that these payments were going to be
17 held in their lenders’ trust accounts to be applied to their loan, or fully refunded if
18 the consumer did not receive the promised modification. Pacios, and the people he
19 directed at HOPE Services, instructed consumers to send only certified funds
20 (either money orders or cashier’s checks) made out to “Trust Payment Center,”
21 “Trial Payment Processing,” or “Retention Division.” In some instances,
22 consumers were also instructed to write a “/” and then the name of their lender next
23 to these names, such as “Trial Payment Processing/Wells Fargo.”

24 14. Pacios, and the people he directed at HOPE Services, did not tell
25 consumers that “Trust Payment Center,” “Trial Payment Processing,” and
26 “Retention Division” were fictitious business names registered to private
27 corporations that were controlled by Pacios and his associates.
28

1 15. Pacios, and the people he directed at HOPE Services, falsely told
2 consumers that, once they submitted their paperwork and first payment, their
3 lender could no longer foreclose on their home.

4 16. Hundreds of consumers were, in fact, misled by Pacios, and the
5 people he directed at HOPE Services, and as a result, sent certified funds made out
6 to “Trust Payment Center,” “Trial Payment Processing,” or “Retention Division.”

7 17. Pacios, and the people he directed at HOPE Services, did not send the
8 consumers’ modification applications to the consumers’ lenders, did not forward
9 consumer funds to any of the consumers’ lenders, and did not have any reason to
10 believe the consumers had been approved for a loan modification.

11 18. Pacios admits (a) the allegations in the Commission’s Contempt
12 Motion, Memorandum in Support of that Motion, and the FTC’s subsequent filings
13 with this Court in this case; (b) the allegations set forth in the Complaint filed in
14 the related case, *FTC v. Lake, et al.*, SACV 15-00585-CJC (DE 1, Apr. 14, 2015)
15 and in the FTC’s subsequent filings in that case; and (c) the findings herein.

16 19. Pacios waives any claim that he may have under the Equal Access to
17 Justice Act, 28 U.S.C. § 2412, concerning the prosecution of this action or the
18 related case, *FTC v. Lake, et al.*, SACV 15-00585-CJC, through the date of this
19 Order, and agrees to bear his own costs and attorney fees.

20 20. Pacios waives any claim that he may have against the Commission,
21 the Receiver in the related case, *FTC v. Lake, et al.*, SACV 15-00585-CJC, or their
22 agents.

23 21. Pacios and the Commission waive all rights to appeal or otherwise
24 challenge or contest the validity of this Order.

25 22. This Order is in the public interest.

26 23. The paragraphs of this Order shall be read as the necessary
27 requirements of compliance and not as alternatives for compliance, and no
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1 paragraph serves to modify another paragraph unless expressly so stated.

2 24. All provisions of the 2013 Order remain in full force and effect with
3 respect to National Legal Network, Inc.

4 25. All provisions of the 2013 Order remain in full force and effect with
5 respect to Brian Pacios, except as otherwise stated in this Order.

6 DEFINITIONS

7 For the purposes of this Order, the following definitions apply:

8 A. “**Assisting others**” includes:

9 1. performing customer service functions, including receiving or
10 responding to consumer complaints;

11 2. formulating or providing, or arranging for the formulation or
12 provision of, any advertising or marketing material, including any telephone sales
13 script, direct mail solicitation, or the design, text, or use of images of any Internet
14 website, email, or other electronic communication;

15 3. formulating or providing, or arranging for the formulation or
16 provision of, any marketing support material or service, including web or Internet
17 Protocol addresses or domain name registration for any Internet websites, affiliate
18 marketing services, or media placement services;

19 4. providing names of, or assisting in the generation of, potential
20 customers;

21 5. performing marketing services of any kind including, but not
22 limited to, telemarketing;

23 6. performing billing or payment services of any kind;

24 7. acting or serving as an owner, officer, director, manager, or
25 principal of any entity.

26 B. “**Credit-related financial product or service**” means any product,
27 service, plan, or program represented, expressly or by implication, to:
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2 1. provide any consumer, arrange for any consumer to receive, or
3 assist any consumer in receiving, a loan or other extension of credit;

4 2. provide any consumer, arrange for any consumer to receive, or
5 assist any consumer in receiving, credit, debit, or stored value cards;

6 3. improve, repair, or arrange to improve or repair, any
7 consumer's credit record, credit history, or credit rating; or

8 4. provide advice or assistance to improve any consumer's credit
9 record, credit history, or credit rating.

10 C. **“Defendant”** means Brian Pacios.

11 D. **“Federal homeowner relief or financial stability program”** means
12 any program (including its sponsoring agencies, telephone numbers, and Internet
13 websites) operated or endorsed by the United States government to provide relief
14 to homeowners or stabilize the economy, including but not limited to:

15 1. the Making Home Affordable Program;

16 2. the Financial Stability Plan;

17 3. the Troubled Asset Relief Program and any other program
18 sponsored or operated by the United States Department of the Treasury;

19 4. the HOPE for Homeowners program, any program operated or
20 created pursuant to the Helping Families Save Their Homes Act, and any other
21 program sponsored or operated by the Federal Housing Administration; or

22 5. any program sponsored or operated by the United States
23 Department of Housing and Urban Development (“HUD”), the HOPE NOW
24 Alliance, the Homeownership Preservation Foundation, or any other HUD-
25 approved housing counseling agency.

26 E. **“Financial Products”** means any product, service, plan, or program,
27 that involves the sale, purchase, transfer or insurance of assets or debt for a
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1 consumer, including those provided by financial institutions, consumer finance
2 companies, insurance companies, brokerages, investment managers, investment or
3 financial advisors, or public-sector entities providing similar products and services;
4 but excludes anything defined as either “credit-related financial product or service”
5 or “secured or unsecured debt relief product or service” as defined by this Order.

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

9 G. “**Secured or unsecured debt relief product or service**” means:

10 1. With respect to any mortgage, loan, debt, or obligation between
11 a person and one or more secured or unsecured creditors or debt collectors, any
12 product, service, plan, or program represented, expressly or by implication, to:

13 a. stop, prevent, or postpone any mortgage or deed of
14 foreclosure sale for a person’s dwelling, any other sale of collateral, any
15 repossession of a person’s dwelling or other collateral, or otherwise save a person’s
16 dwelling or other collateral from foreclosure or repossession;

17 b. negotiate, obtain, or arrange a modification, or
18 renegotiate, settle, or in any way alter any terms of the mortgage, loan, debt, or
19 obligation, including a reduction in the amount of interest, principal balance,
20 monthly payments, or fees owed by a person to a secured or unsecured creditor or
21 debt collector;

22 c. obtain any forbearance or modification in the timing of
23 payments from any secured or unsecured holder or servicer of any mortgage, loan,
24 debt, or obligation;

25 d. negotiate, obtain, or arrange any extension of the period
26 of time within which a person may (i) cure his or her default on the mortgage, loan,
27 debt, or obligation, (ii) reinstate his or her mortgage, loan, debt, or obligation, (iii)
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1 redeem a dwelling or other collateral, or (iv) exercise any right to reinstate the
2 mortgage, loan, debt, or obligation or redeem a dwelling or other collateral;

3 e. obtain any waiver of an acceleration clause or balloon
4 payment contained in any promissory note or contract secured by any dwelling or
5 other collateral; or

6 f. negotiate, obtain, or arrange (i) a short sale of a dwelling
7 or other collateral, (ii) a deed-in-lieu of foreclosure, or (iii) any other disposition of
8 a mortgage, loan, debt, or obligation other than a sale to a third party that is not the
9 secured or unsecured loan holder.

10 The foregoing shall include any manner of claimed assistance, including auditing
11 or examining a person's application for the mortgage, loan, debt, or obligation.

12 2. With respect to any loan, debt, or obligation between a person
13 and one or more unsecured creditors or debt collectors, any product, service, plan,
14 or program represented, expressly or by implication, to:

15 a. repay one or more unsecured loans, debts, or obligations;
16 or

17 b. combine unsecured loans, debts, or obligations into one
18 or more new loans, debts, or obligations.

19 H. "**Telemarketing**" means any plan, program or campaign which is
20 conducted to induce the purchase a plan, program, product or service by use of one
21 or more telephones, and which involves a telephone call, whether or not covered
22 by the Telemarketing Sales Rule, 16 C.F.R. Part 310.

23 **ORDER**

24 **I. BAN ON SECURED AND UNSECURED DEBT RELIEF PRODUCTS** 25 **AND SERVICES** (supersedes Section I of the 2013 Order)

26 IT IS ORDERED that Defendant is permanently restrained and enjoined
27 from advertising, marketing, promoting, offering for sale, or selling, or assisting
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1 others in the advertising, marketing, promoting, offering for sale, or selling, of any
2 secured or unsecured debt relief product or service.

3 **II. BAN ON CREDIT-RELATED FINANCIAL PRODUCTS AND**
4 **SERVICES** (supersedes Section II of the 2013 Order)

5 IT IS FURTHER ORDERED that Defendant is permanently restrained and
6 enjoined from advertising, marketing, promoting, offering for sale, or selling, or
7 assisting others in the advertising, marketing, promoting, offering for sale, or
8 selling, of any credit-related financial product or service.

9 **III. BAN ON TELEMARKETING**

10 IT IS FURTHER ORDERED that Defendant is permanently restrained and
11 enjoined from engaging or participating in telemarketing, directly or through an
12 intermediary, including, but not limited to, by consulting, brokering, planning,
13 investing, marketing, or by providing customer service or billing or payment
14 services.

15 **IV. PROHIBITED USE OF ALIASES**

16 IT IS FURTHER ORDERED that Defendant, whether acting directly or
17 indirectly, in connection with the advertising, marketing, promoting, offering for
18 sale, or selling of any plan, program, product, or service, is hereby permanently
19 restrained and enjoined from using an alias.

20 **V. PROHIBITION AGAINST MISREPRESENTATIONS RELATING**
21 **TO ANY PRODUCTS OR SERVICES** (supersedes Section III of the 2013
22 Order)

23 IT IS FURTHER ORDERED that Defendant, his officers, agents,
24 employees, and attorneys, and all others in active concert or participation with any
25 of them, who receive actual notice of this Order, whether acting directly or
26 indirectly, in connection with the advertising, marketing, promoting, offering for
27 sale, or selling of any product, service, plan, or program, are permanently
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1 restrained and enjoined from misrepresenting, or assisting others in
2 misrepresenting, expressly or by implication:

3 A. any material aspect of the nature or terms of any refund, cancellation,
4 exchange, or repurchase policy, including the likelihood of a consumer obtaining a
5 full or partial refund, or the circumstances in which a full or partial refund will be
6 granted to the consumer;

7 B. that any person is affiliated with, endorsed or approved by, or
8 otherwise connected to any other person, government entity, or any program,
9 including but not limited to any public, non-profit, or other non-commercial
10 program;

11 C. that the United States government or any federal homeowner relief or
12 financial stability program has researched, monitored, vetted, or approved any
13 product or service;

14 D. the nature, expertise, position, or job title of any person who provides
15 any product, service, plan, or program;

16 E. the person who will provide any product, service, plan, or program to
17 any consumer;

18 F. that any person providing a testimonial has purchased, received, or
19 used the product, service, plan, or program;

20 G. that the experience represented in a testimonial of the product, service,
21 plan, or program represents the person's actual experience resulting from the use of
22 the product, service, plan, or program under the circumstances depicted in the
23 advertisement;

24 H. that a consumer will receive legal representation;

25 I. any special connections or relationships with lenders or financial
26 institutions; or

1 J. any other fact material to consumers concerning any product, service,
2 plan, or program.

3 **VI. MONETARY JUDGMENT AND COMPENSATORY CONTEMPT**
4 **RELIEF** (supplements Section VI of the 2013 Order)

5 IT IS FURTHER ORDERED that:

6 A. Judgment in the amount of Two Million, Seven Hundred and Forty-
7 Two Thousand, Three Hundred Ninety-Six Dollars (\$2,742,396.00) is entered in
8 favor of the Commission against Defendant, as compensatory contempt relief.
9 Defendant is ordered to pay the FTC this amount immediately upon the entry of
10 this Order.

11 B. Defendant is also ordered to pay to the FTC the unpaid balance of the
12 Judgment set forth in the 2013 Order, which is One Million, One Hundred Eighty-
13 One Thousand, Seven Hundred Seventy-Four Dollars and Fifty-Four Cents
14 (\$1,181,774.54) plus all accrued interest, immediately upon the entry of this Order.

15 C. Any entity or person, including Defendant or any financial institution,
16 holding Defendant's frozen assets must transfer those assets to the Receiver in the
17 related case, *FTC v. Lake, et al.*, SACV 15-00585-CJC, in accordance with the
18 Receiver's instructions, within seven days of the entry of an Order in the related
19 case modifying the asset freeze to permit such transfer. Those assets include:

- 20 1. JP Morgan Chase account nos. XXXXXX4854, XXXXXX6050,
21 XXXXXX6529, XXXXX6636, XXXXX9414, XXXXX0647,
22 XXXXX9828; and
- 23 2. Comerica account nos. XXXXXX8344, XXXXXX8707.

24 After the Receiver's court-approved fees have been fully satisfied, the Receiver
25 must transfer the balance to the Commission.

26 D. Defendant shall take all steps necessary to assist in the transfer of all
27 frozen assets, including those identified in Subsection C. In the event it is
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1 necessary to execute additional documents to transfer, liquidate, or assign
2 Defendant's assets or any other assets surrendered under this Order, Defendant
3 shall execute such documents within three days of a request from a representative
4 of the Commission.

5 E. Defendant relinquishes dominion and all legal and equitable right,
6 title, and interest in all assets transferred pursuant to this Order and may not seek
7 the return of any assets.

8 F. The facts alleged in the FTC's Memorandum in Support of Its Motion
9 to Find Defendant Brian Pacios in Contempt (DE 178-1, Apr. 29, 2015) and
10 accompanying exhibits, and the FTC's subsequent filings related to the FTC's
11 Contempt Motion will be taken as true, without further proof, in any subsequent
12 civil litigation by or on behalf of the Commission, including in a proceeding to
13 enforce its rights to any payment or monetary judgment pursuant to this Order,
14 such as a nondischargeability complaint in any bankruptcy case. In addition, the
15 facts alleged in the FTC's Complaint in the related case, *FTC v. Lake, et al.*, SACV
16 15-00585-CJC (DE 1, Apr. 14, 2015) will be taken as true, without further proof,
17 in any subsequent civil litigation by or on behalf of the Commission, including in a
18 proceeding to enforce its rights to any payment or monetary judgment pursuant to
19 this Order, such as a nondischargeability complaint in any bankruptcy case.

20 G. The facts alleged in the FTC's Memorandum in support of Its Motion
21 to Find Defendant Brian Pacios in Contempt (DE 178-1, Apr. 29, 2015) and
22 accompanying exhibits and the FTC's subsequent filings related to the FTC's
23 Contempt Motion, establish all elements necessary to sustain an action by the
24 Commission pursuant to Section 523(a)(2)(A) of the Bankruptcy Code, 11 U.S.C.
25 § 523(a)(2)(A), and this Order will have collateral estoppel effect for such
26 purposes. In addition, the facts alleged in the FTC's Complaint in the related case,
27 *FTC v. Lake, et al.*, SACV 15-00585-CJC (DE 1, Apr. 14, 2015) establish all
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1 elements necessary to sustain an action by the Commission pursuant to Section
2 523(a)(2)(A) of the Bankruptcy Code, 11 U.S.C. § 523(a)(2)(A), and this Order
3 will have collateral estoppel effect for such purposes.

4 H. Defendant acknowledges that his Social Security Number, which
5 Defendant previously submitted to the Commission, may be used for collecting
6 and reporting on any delinquent amount arising out of this Order, in accordance
7 with 31 U.S.C. § 7701.

8 I. All money paid to the Commission pursuant to this Order may be
9 deposited into a fund administered by the Commission or its designee to be used
10 for equitable relief, including consumer redress and any attendant expenses for the
11 administration of any redress fund. If a representative of the Commission decides
12 that direct redress to consumers is wholly or partially impracticable or money
13 remains after redress is completed, the Commission may apply any remaining
14 money for such other equitable relief (including consumer information remedies)
15 as it determines to be reasonably related to Defendant's practices alleged in the
16 Complaint. Any money not used for such equitable relief is to be deposited to the
17 U.S. Treasury as disgorgement. Defendant has no right to challenge any actions
18 the Commission or its representatives may take pursuant to this Subsection.

19 J. The Commission may request any tax-related information, including
20 tax returns and other filings, that Defendant has the authority to release. Within 14
21 days of receipt of a written request from a representative of the Commission,
22 Defendant must take all necessary steps (such as filing a completed IRS Form 4506
23 or 8821) to cause the Internal Revenue Service or other tax authority to provide the
24 information directly to the Commission.

25 **VII. CUSTOMER INFORMATION** (supersedes Section V of the 2013 Order)

26 IT IS FURTHER ORDERED that Defendant, his officers, agents,
27 employees, and attorneys, and all others in active concert or participation with any
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1 of them, who receive actual notice of this Order, whether acting directly or
2 indirectly, are permanently restrained and enjoined from directly or indirectly:

3 A. disclosing, using, or benefitting from customer information, including
4 the name, address, telephone number, email address, Social Security Number,
5 other identifying information, or any data that enables access to a customer's
6 account (including a credit card, bank account, or other financial account), that any
7 Defendant obtained prior to entry of this Order in connection with the marketing or
8 promotion of mortgage assistance relief products or services or debt relief products
9 or services; and

10 B. failing to destroy such customer information in all forms in their
11 possession, custody, or control within 10 days after entry of this Order.

12 Provided, however, that customer information need not be disposed of, and
13 may be disclosed, to the extent requested by a government agency or required by
14 law, regulation, or court order.

15 **VIII. COOPERATION** (supersedes Section VIII of the 2013 Order)

16 IT IS FURTHER ORDERED that Defendant must fully cooperate with
17 representatives of the Commission in this case and in any investigation related to
18 or associated with the transactions or the occurrences that are the subject of the
19 Contempt Motion or the Complaint in the related case, *FTC v. Lake, et al.*, SACV
20 15-00585-CJC (DE 1, Apr. 14, 2015). Defendant must provide truthful and
21 complete information, evidence, and testimony. Defendant must appear for
22 interviews, discovery, hearings, trials, and any other proceedings that a
23 Commission representative may reasonably request upon 5 days written notice, or
24 other reasonable notice, at such places and times as a Commission representative
25 may designate, without the service of a subpoena.

1 **IX. ORDER ACKNOWLEDGMENTS** (supersedes Section IX of the 2013
2 Order)

3 IT IS FURTHER ORDERED that Defendant obtain acknowledgments of
4 receipt of this Order:

5 A. Defendant, within 7 days of entry of this Order, must submit to the
6 Commission an acknowledgment of receipt of this Order sworn under penalty of
7 perjury.

8 B. For 20 years after entry of this Order, for any business that Defendant,
9 individually or collectively with any other Defendant in this case or in the related
10 case, *FTC v. Lake, et al.*, SACV 15-00585-CJC, is the majority owner or controls
11 directly or indirectly, Defendant must deliver a copy of this Order and the 2013
12 Order to: (1) all principals, officers, directors, and LLC managers and members;
13 (2) all employees, agents, and representatives whose work relates to financial
14 products or services; and (3) any business entity resulting from any change in
15 structure as set forth in the Section titled Compliance Reporting. Delivery must
16 occur within 7 days of entry of this Order for current personnel. For all others,
17 delivery must occur before they assume their responsibilities.

18 C. For 20 years after entry of this Order, for any business that employs
19 Defendant and sells or provides financial products, and for which Defendant is
20 neither a majority owner nor directly or indirectly controls, Defendant must deliver
21 a copy of this Order to at least one principal, officer, director, LLC manager, or
22 LLC member of the business. Delivery must occur within 7 days of entry of this
23 Order for current employment. For all others, delivery must occur before
24 Defendant assumes his employment. For purposes of this Subsection, a business
25 “employs” Defendant if the business provides Defendant with compensation of any
26 sort, directly or indirectly, in exchange for goods or services of any sort, regardless
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1 of whether Defendant is considered an “employee,” an “independent contractor,”
2 or otherwise.

3 D. From each individual or entity to which Defendant delivered a copy of
4 this Order pursuant to this Section, Defendant must obtain, within 30 days, a
5 signed and dated acknowledgment of receipt of this Order that includes then-
6 current contact information for the signatory, including the signatory’s full name,
7 physical address, telephone number, and email address.

8 **X. COMPLIANCE REPORTING** (supersedes Section X of the 2013 Order)

9 IT IS FURTHER ORDERED that Defendant make timely submissions to
10 the Commission:

11 A. 180 days after entry of this Order, and annually thereafter for 3 years,
12 Defendant must submit a compliance report, sworn under penalty of perjury in
13 which Defendant must:

14 1. Identify the primary physical, postal, and email address and
15 telephone number, as designated points of contact, which representatives of the
16 Commission may use to communicate with Defendant;

17 2. Identify all of Defendant’s businesses by all of their names,
18 telephone numbers, and physical, postal, email, and Internet addresses;

19 3. Describe the activities of each business, including the product,
20 service, plan, or program offered, the means of advertising, marketing, promoting,
21 and sales, and the involvement of any other Defendant in this case or in the related
22 case, *FTC v. Lake, et al.*, SACV 15-00585-CJC;

23 4. Describe in detail whether and how Defendant is in compliance
24 with each Section of this Order;

25 5. Provide a copy of each Order Acknowledgment obtained
26 pursuant to this Order, unless previously submitted to the Commission;

1 6. Identify all telephone numbers and all physical, postal, email
2 and Internet addresses, including all residences;

3 7. Identify all business activities, including any business for which
4 such Defendant performs services whether as an employee or otherwise and any
5 entity in which Defendant has any ownership interest; and

6 8. Describe in detail Defendant's involvement in each such
7 business, including title, role, responsibilities, participation, authority, control, and
8 any ownership.

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

12 1. Any designated point of contact;

13 2. The structure of any entity that Defendant has any ownership
14 interest in or controls directly or indirectly that may affect compliance obligations
15 arising under this Order, including: creation, merger, sale, or dissolution of the
16 entity or any subsidiary, parent, or affiliate that engages in any acts or practices
17 subject to this Order;

18 3. Name or residence address; or

19 4. Title or role in any business activity, including any business for
20 which Defendant performs services whether as an employee or otherwise and any
21 entity in which such Defendant has any ownership interest, and identify the name,
22 physical address, and any Internet address of the business or entity.

23 C. Defendant must submit to the Commission notice of the filing of any
24 bankruptcy petition, insolvency proceeding, or similar proceeding by or against
25 Defendant within 14 days of its filing.

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

5 E. Unless otherwise directed by a Commission representative in writing,
6 all submissions to the Commission pursuant to this Order must be emailed to
7 DEbrief@ftc.gov or sent by overnight courier (not the U.S. Postal Service) to:
8 Associate Director for Enforcement, Bureau of Consumer Protection, Federal
9 Trade Commission, 600 Pennsylvania Avenue NW, Washington, DC 20580. The
10 subject line must begin: *FTC v. Sameer Lakhany* – Brian Pacios, X120014.

11 **XI. RECORDKEEPING** (supersedes Section XI of the 2013 Order)

12 IT IS FURTHER ORDERED that Defendant must create certain records for
13 20 years after entry of the Order, and retain each such record for 5 years.
14 Specifically, Defendant and any business that Defendant, individually or
15 collectively with any other Defendant in this case or in the related case, *FTC v.*
16 *Lake, et al.*, SACV 15-00585-CJC, is a majority owner or controls directly or
17 indirectly, must create and retain the following records:

18 A. accounting records showing the revenues from all products, services,
19 plans, or programs sold;

20 B. personnel records showing, for each person providing services,
21 whether as an employee or otherwise, that person’s: name; addresses; telephone
22 numbers; job title or position; dates of service; and (if applicable) the reason for
23 termination;

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

26 D. all records necessary to demonstrate full compliance with each
27 provision of this Order, including all submissions to the Commission; and
28

1 E. a copy of each unique advertisement or other marketing material.

2 **XII. COMPLIANCE MONITORING** (supersedes Section XII of the 2013
3 Order)

4 IT IS FURTHER ORDERED that, for the purpose of monitoring
5 Defendant's compliance with this Order and the 2013 Order, including any failure
6 to transfer any assets as required by this Order or the 2013 Order:

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

14 B. For matters concerning this Order and the 2013 Order, the
15 Commission is authorized to communicate directly with Defendant. Defendant
16 must permit representatives of the Commission to interview any employee or other
17 person affiliated with him who has agreed to such an interview. The person
18 interviewed may have counsel present.

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

25 D. Upon written request from a representative of the Commission, any
26 consumer reporting agency must furnish consumer reports concerning Defendant
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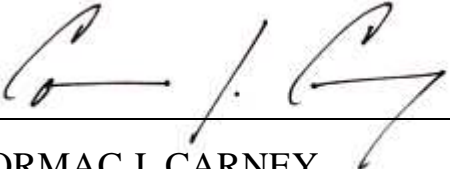
1 pursuant to Section 604(1) of the Fair Credit Reporting Act, 15 U.S.C.
2 §1681b(a)(1).

3 **XIII. RETENTION OF JURISDICTION**

4 **IT IS FURTHER ORDERED** that this Court shall retain jurisdiction of
5 this matter for all purposes of construction, modification, and enforcement of this
6 Order.

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8 **IT IS SO ORDERED**, this 3rd day of November, 2015.

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11 Dated: November 3, 2015

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13 _____
14 CORMAC J. CARNEY
15 UNITED STATES DISTRICT JUDGE
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