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

FEDERAL TRADE COMMISSION,

Plaintiff,

vs.

ALLIANCE DOCUMENT
PREPARATION, LLC, *et al.*,

Defendants, and

DIRECT CONSULTING SERVICE,
LLC; and CAPITAL DOC PREP, INC.,

Relief Defendants.

Civ. No. CV 17-7048 SJO (KSx)

**STIPULATION TO ENTRY OF
PERMANENT INJUNCTION AND
FINAL ORDER AS TO
DEFENDANT MICHAEL RATLIFF**

Plaintiff, the Federal Trade Commission (“Commission” or “FTC”), filed its Complaint for Permanent Injunction and Other Equitable Relief pursuant to Section 13(b) of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. § 53(b), and the Telemarketing and Consumer Fraud and Abuse Prevention Act

1 (“Telemarketing Act”), 15 U.S.C. §§ 6101-6108. The Commission and Defendant
 2 Michael Ratliff (“Stipulating Defendant”) stipulate to entry of the Permanent
 3 Injunction and Final Order (“Order”) to resolve all matters in dispute in this action
 4 between them.

5 **THEREFORE, IT IS ORDERED** as follows:

6 **FINDINGS**

7 1. This Court has jurisdiction over this matter.

8 2. The Complaint charges that Stipulating Defendant participated in
 9 deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C.
 10 § 45(a) and the Telemarketing Sales Rule, 16 C.F.R. § 310, in connection with the
 11 advertising, marketing, promotion, offering for sale, or sale of debt relief services.

12 3. Stipulating Defendant neither admits nor denies any of the allegations
 13 in the Complaint, except as specifically stated in this Order. Only for purposes of
 14 this action, Stipulating Defendant admits the facts necessary to establish
 15 jurisdiction.

16 4. Stipulating Defendant waives any claim that he may have under the
 17 Equal Access to Justice Act, 28 U.S.C. § 2412, concerning the prosecution of this
 18 action through the date of this Order, and agrees to bear his own costs and attorney
 19 fees.

20 5. Stipulating Defendant and the Commission waive all rights to appeal
 21 or otherwise challenge or contest the validity of this Order.

22 **DEFINITIONS**

23 A. “**Assisting others**” includes: (1) performing customer service
 24 functions, including receiving or responding to consumer complaints; (2)
 25 formulating or providing, or arranging for the formulation or provision of, any
 26 advertising or marketing material, including any telephone sales script, direct mail
 27 solicitation, or the design, text, or use of images of any Internet website, email, or
 28 other electronic communication; (3) formulating or providing, or arranging for the

1 formulation or provision of, any marketing support material or service, including
 2 web or Internet Protocol addresses or domain name registration for any Internet
 3 websites, affiliate marketing services, or media placement services; (4) providing
 4 names of, or assisting in the generation of, potential customers; (5) performing
 5 marketing, billing, or payment services of any kind; or (6) acting or serving as an
 6 owner, officer, director, manager, or principal of any entity.

7 **B. “Financial product or service”** means any product, service, plan, or
 8 program represented, expressly or by implication, to:

- 9 1. provide any consumer, arrange for any consumer to receive, or
 10 assist any consumer in receiving, a loan or other extension of credit;
- 11 2. provide any consumer, arrange for any consumer to receive, or
 12 assist any consumer in receiving, credit, debit, or stored value cards;
- 13 3. improve, repair, or arrange to improve or repair, any
 14 consumer’s credit record, credit history, or credit rating; or
- 15 4. provide advice or assistance to improve any consumer’s credit
 16 record, credit history, or credit rating.

17 **C. “Secured or unsecured debt relief product or service”** means:

- 18 1. With respect to any mortgage, loan, debt, or obligation between
 19 a person and one or more secured or unsecured creditors or debt
 20 collectors, any product, service, plan, or program represented,
 21 expressly or by implication, to:

- 22 a. stop, prevent, or postpone any mortgage or deed of
 23 foreclosure sale for a person’s dwelling, any other sale of
 24 collateral, any repossession of a person’s dwelling or other
 25 collateral, or otherwise save a person’s dwelling or other
 26 collateral from foreclosure or repossession;
- 27 b. negotiate, obtain, or arrange a modification, or
 28 renegotiate, settle, or in any way alter any terms of the

1 mortgage, loan, debt, or obligation, including a reduction in the
 2 amount of interest, principal balance, monthly payments, or
 3 fees owed by a person to a secured or unsecured creditor or debt
 4 collector;

5 c. obtain any forbearance or modification in the timing of
 6 payments from any secured or unsecured holder or servicer of
 7 any mortgage, loan, debt, or obligation;

8 d. negotiate, obtain, or arrange any extension of the period
 9 of time within which a person may (i) cure his or her default on
 10 the mortgage, loan, debt, or obligation, (ii) reinstate his or her
 11 mortgage, loan, debt, or obligation, (iii) redeem a dwelling or
 12 other collateral, or (iv) exercise any right to reinstate the
 13 mortgage, loan, debt, or obligation or redeem a dwelling or
 14 other collateral;

15 e. obtain any waiver of an acceleration clause or balloon
 16 payment contained in any promissory note or contract secured
 17 by any dwelling or other collateral; or

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

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

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

- a. repay one or more unsecured loans, debts, or obligations;
- or
- b. combine unsecured loans, debts, or obligations into one or more new loans, debts, or obligations.

D. **“Stipulating Defendant”** means Michael Ratliff and any other names by which he might be known.

I. BAN ON SECURED AND UNSECURED DEBT RELIEF PRODUCTS AND SERVICES

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

II. PROHIBITION AGAINST MISREPRESENTATIONS RELATING TO FINANCIAL PRODUCTS AND SERVICES

IT IS FURTHER ORDERED that Stipulating Defendant, and his officers, agents, employees, and attorneys, and all other persons or entities in active concert or participation with Stipulating Defendant, who receive actual notice of this Order, whether acting directly or indirectly, in connection with the advertising, marketing, promoting, offering for sale, or selling of any financial product or service, are permanently restrained and enjoined from misrepresenting, or assisting others in misrepresenting, expressly or by implication:

A. The terms or rates that are available for any loan or other extension of credit, including:

1. closing costs or other fees;
2. the payment schedule, monthly payment amount(s), any balloon payment, or other payment terms;

1 3. the interest rate(s), annual percentage rate(s), or finance
2 charge(s), or whether they are fixed or adjustable;

3 4. the loan amount, credit amount, draw amount, or outstanding
4 balance; the loan term, draw period, or maturity; or any other term of
5 credit;

6 5. the amount of cash to be disbursed to the borrower out of the
7 proceeds, or the amount of cash to be disbursed on behalf of the
8 borrower to any third parties;

9 6. whether any specified minimum payment amount covers both
10 interest and principal, or whether the credit has or can result in
11 negative amortization; or

12 7. that the credit does not have a prepayment penalty or whether
13 subsequent refinancing may trigger a prepayment penalty and/or other
14 fees.

15 B. The ability to improve or otherwise affect a consumer's credit record,
16 credit history, credit rating, or ability to obtain credit, including that a consumer's
17 credit record, credit history, credit rating, or ability to obtain credit can be
18 improved by permanently removing current, accurate negative information from
19 the consumer's credit record or history.

20 C. That a consumer will receive legal representation.

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

25 **III. PROHIBITION AGAINST MISREPRESENTATIONS RELATING** 26 **TO ANY PRODUCTS OR SERVICES**

27 **IT IS FURTHER ORDERED** that Stipulating Defendant, and his officers,
28 agents, employees, and attorneys, and all other persons in active concert or

1 participation with Stipulating Defendant, who receive actual notice of this Order,
 2 whether acting directly or indirectly, in connection with the advertising, marketing,
 3 promoting, offering for sale, or selling of any product, service, plan, or program,
 4 are permanently restrained and enjoined from misrepresenting, or assisting others
 5 in misrepresenting, expressly or by implication:

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

10 B. That any person is affiliated with, endorsed, approved by, accredited
 11 by, or otherwise connected to any other person; government entity; public, non-
 12 profit, or other non-commercial program; or any other program;

13 C. The nature, expertise, position, or job title of any person who provides
 14 any product, service, plan, or program;

15 D. The cost or likelihood of qualifying for or receiving any product,
 16 service, plan, or program;

17 E. That any person providing a testimonial has purchased, received, or
 18 used the product, service, plan, or program;

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

23 G. Any other fact material to consumers concerning any good or service,
 24 such as: the total costs; any material restrictions, limitations, or conditions; or any
 25 material aspect of its performance, efficacy, nature, or central characteristics.

26 **IV. MONETARY EQUITABLE RELIEF AND SUSPENSION**

27 **IT IS FURTHER ORDERED** that:

1 A. Judgment in the amount of \$1,600,000.00 is entered in favor of the
2 Commission against Stipulating Defendant as equitable monetary relief.

3 B. The judgment is suspended subject to the Subsections below.

4 C. The Commission's agreement to the suspension of the judgment is
5 expressly premised upon the truthfulness, accuracy, and completeness of
6 Stipulating Defendant's sworn financial statements dated October 16, 2017, and
7 related documents (collectively, "financial representations") submitted to the
8 Commission.

9 D. The suspension of the judgment will be lifted as to Stipulating
10 Defendant if, upon motion by the Commission, the Court finds that Stipulating
11 Defendant failed to disclose any material asset, materially misstated the value of
12 any asset, or made any other material misstatement or omission in the financial
13 representations identified above.

14 E. If the suspension of the judgment is lifted, the judgment becomes
15 immediately due in the amount specified in Subsection A. above (which the parties
16 stipulate only for purposes of this Section) represents the consumer injury caused
17 by Stipulating Defendant, plus interest computed from the date of entry of this
18 Order.

19 **V. OTHER MONETARY PROVISIONS**

20 **IT IS FURTHER ORDERED** that:

21 A. Stipulating Defendant relinquishes dominion and all legal and
22 equitable right, title, and interest in all assets transferred pursuant to this Order and
23 may not seek the return of any assets.

24 B. The facts alleged in the Complaint will be taken as true, without
25 further proof, in any subsequent civil litigation by or on behalf of the Commission,
26 including in a proceeding to enforce its rights to any payment or money judgment
27 pursuant to this Order, such as a non-dischargeability complaint in any bankruptcy
28 case.

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

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

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

21 VI. CUSTOMER INFORMATION

22 **IT IS FURTHER ORDERED** that Stipulating Defendant, his officers,
 23 agents, employees, attorneys, and all other persons in active concert or
 24 participation with him, who receive actual notice of this Order, are permanently
 25 restrained and enjoined from directly or indirectly:

26 A. Failing to provide sufficient customer information to enable the
 27 Commission to efficiently administer consumer redress. Stipulating Defendant
 28 represents that he has provided this redress information to the Commission. If a

1 representative of the Commission requests in writing information related to
 2 redress, Stipulating Defendant must provide it, in the form prescribed by the
 3 Commission, within fourteen (14) days.

4 B. Disclosing, using, or benefitting from customer information, including
 5 the name, address, telephone number, email address, other identifying information,
 6 or any data that enables access to a customer's account, (including a credit card,
 7 bank account, or other financial account), that Stipulating Defendant obtained prior
 8 to entry of this Order in connection with the sale of debt relief; and

9 C. Failing to destroy such customer information in all forms in his
 10 possession, custody, or control within thirty (30) days after entry of this Order.

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

14 VII. COOPERATION

15 **IT IS FURTHER ORDERED** that Stipulating Defendant must fully
 16 cooperate with representatives of the Commission in this case and in any
 17 investigation related to or associated with the transactions or the occurrences that
 18 are the subject of the Complaint. Stipulating Defendant must provide truthful and
 19 complete information, evidence, and testimony. Stipulating Defendant must
 20 appear for interviews, discovery, hearings, trials, and any other proceedings that a
 21 Commission representative may designate, without the service of a subpoena.

VIII. COMPLIANCE REPORTING

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

A. One year after entry of this Order, Stipulating Defendant must submit a compliance report, sworn under penalty of perjury.

1. Stipulating Defendant must: (a) identify the primary physical, postal, email address, and telephone number, as designated points of contact, which representatives of the Commission may use to communicate with Stipulating Defendant; (b) identify all of Stipulating Defendant's businesses by all of their names, telephone numbers, and physical, postal, email, and Internet addresses; (c) describe the activities of each business including the goods and services offered, the means of advertising, marketing, and sales, and the involvement of any other Defendant (which Stipulating Defendant must describe if he knows or should know due to his own involvement); (d) describe in detail whether and how that Stipulating Defendant is in compliance with each Section of this Order; and (e) provide a copy of each Order Acknowledgment obtained pursuant to this Order, unless previously submitted to the Commission.

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

B. For ten (10) years after entry of this Order, Stipulating Defendant must submit a compliance notice, sworn under penalty of perjury, within fourteen

(14) days of any change in the following: (1) name, including aliases or fictitious name, or residence address; or (2) title or role in any business activity, including any business for which he performs services whether as an employee or otherwise and any entity in which he has any ownership interest, and identify the name, physical address, and any Internet address of the business or entity.

C. Stipulating Defendant must submit to the Commission notice of the filing of any bankruptcy petition, insolvency proceeding, or similar proceeding by or against Stipulating Defendant within fourteen (14) days of its filing.

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

E. Unless otherwise directed by a Commission representative in writing, all submissions to the Commission pursuant to this Order must be emailed to DEbrief@ftc.gov or sent by overnight courier (not the U.S. Postal Service) to: Associate Director for Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, DC 20580. The subject line must begin: FTC v. Alliance Document Preparation, LLC, *et al.*, X170054.

IX. RECORDKEEPING

IT IS FURTHER ORDERED that Stipulating Defendant must create certain records for ten (10) years after entry of the Order, and retain each such record for five (5) years. Specifically, for any business for which Stipulating Defendant is a majority owner or controls directly or indirectly, Stipulating Defendant must create and retain the following records: (a) accounting records showing the revenues from all goods or services sold; (b) personnel records

1 showing, for each person providing services, whether as an employee or otherwise,
 2 that person's: name; addresses; telephone numbers; job title or position; dates of
 3 service; and (if applicable) the reason for termination; (c) records of all consumer
 4 complaints and refund requests, whether received directly or indirectly, such as
 5 through a third party, and any response; (d) all records necessary to demonstrate
 6 full compliance with each provision of this Order, including all submissions to the
 7 Commission; and (e) a copy of each unique advertisement or other marketing
 8 material.

9 **X. ORDER ACKNOWLEDGMENTS**

10 **IT IS FURTHER ORDERED** that Stipulating Defendant obtain
 11 acknowledgments of receipt of this Order:

12 A. Stipulating Defendant, within seven (7) days of entry of this Order,
 13 must submit to the Commission an acknowledgment of receipt of this Order sworn
 14 under penalty of perjury.

15 B. For five (5) years after entry of this Order, Stipulating Defendant for
 16 any business that he is the majority owner or controls directly or indirectly, must
 17 deliver a copy of this Order to: (1) all principals, officers, directors, and LLC
 18 managers and members; (2) all employees having managerial responsibilities for
 19 conduct related to the subject matter of the Order and all agents and representatives
 20 who participate in conduct related to the subject matter of the Order; and (3) any
 21 business entity resulting from any change in structure as set forth in the Section
 22 titled Compliance Reporting. Delivery must occur within seven (7) days of entry
 23 of this Order for current personnel. For all others, delivery must occur before they
 24 assume their responsibilities.

25 C. From each individual or entity to which Stipulating Defendant
 26 delivered a copy of this Order, Stipulating Defendant must obtain, within thirty
 27 (30) days, a signed and dated acknowledgment of receipt of this Order.

XI. COMPLIANCE MONITORING

IT IS FURTHER ORDERED that, for the purpose of monitoring Stipulating Defendant's compliance with this Order, including the financial attestations upon which all or part of the judgment was suspended and any failure to transfer any assets as required by this Order:

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

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

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

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

XII. ENTRY OF FINAL ORDER

IT IS FURTHER ORDERED that there is no just reason for delay of entry of this final order, and that, pursuant to Federal Rule of Civil Procedure 54(b), the Clerk immediately shall enter this Order as a final order as to Stipulating Defendant.

XIII. RETENTION OF JURISDICTION

IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this matter for all purposes.

SO ORDERED, this 7th day of August, 2018, at 11 a.m.



THE HONORABLE S. JAMES OTERO
UNITED STATES DISTRICT JUDGE