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SEALED

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA

Federal Trade Commission, Plaintiff, V. **Credit Glory LLC**, et al., Defendants.	CASE NO. **CV26-05387-PHX-SPL** **MEMORANDUM IN SUPPORT OF THE FTC'S *EX PARTE* APPLICATION FOR A TEMPORARY RESTRAINING ORDER AND AN ORDER TO SHOW CAUSE WHY A PRELIMINARY INJUNCTION SHOULD NOT ISSUE** **DOCUMENT SUBMITTED UNDER SEAL**

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I. INTRODUCTION

Plaintiff, the Federal Trade Commission ("FTC"), brings this action to end a pernicious, massive credit repair scam that has stolen almost $200 million from consumers. Defendants pose as legitimate debt collection agencies and creditors, including those that operate for the benefit of veterans, members of the military, and their spouses, and claim that they will improve consumers' credit scores by removing negative items from consumers' credit reports. In addition, Defendants file false identity theft reports on the FTC's Identitytheft.gov website without consumers' knowledge. Defendants use account information obtained through their false statements to charge illegal advance fees, including recurring fees on a negative option basis, for credit repair services that Defendants fail to provide.

Defendants' actions violate Section 5 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 45; multiple provisions of the Credit Repair Organizations Act ("CROA"), 15 U.S.C. § 1679 – 1679*l*; multiple provisions of the FTC's Telemarketing Sales Rule ("TSR"), 16 C.F.R. Part 310; Section 521(a) of the Gramm-Leach-Bliley ("GLB") Act, 16 U.S.C. § 6821(a); Section 4 of the Restore Online Shoppers' Confidence Act ("ROSCA"), 15 U.S.C. § 8403; Section 907(a) of the Electronic Fund Transfer Act ("EFTA"), 15 U.S.C. § 1693e(a); and Section 1005.10(b) of EFTA's implementing Regulation E, 12 C.F.R. § 1005.10(b).

To put an immediate stop to Defendants' unlawful scheme, the FTC seeks, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), Federal Rule of Civil

Procedure 65(b), and LRCiv 65.1, an *ex parte* temporary restraining order ("TRO") with an order to show cause why a preliminary injunction should not issue. The proposed TRO would prevent continued consumer injury and is consistent with TROs court have entered in many FTC cases in this district and elsewhere.

II. THE PARTIES

A. Federal Trade Commission

The FTC is an agency of the United States government created by statute. 15 U.S.C. §§ 41 – 58. The FTC enforces the following statutes and rules:

- Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair and deceptive practices in or affecting commerce;
- CROA, 15 U.S.C. §§ 1679-1679*l*, which prohibits untrue or misleading representations to induce the purchase of credit repair services, requires certain affirmative disclosures in the offering or sale of credit repair services, and prohibits credit repair service organizations from charging or receiving money or other valuable consideration for the performance of credit repair services before such services are fully performed;
- the TSR, 16 C.F.R. Part 310, promulgated by the FTC pursuant to the Telemarketing and Consumer Fraud and Abuse Prevention Act ("Telemarketing Act"), 15 U.S.C. §§ 6101-6018, which prohibits deceptive and abusive telemarketing acts or practices;
- Section 521(a) of the GLB Act, 15 U.S.C. § 6821(a), which prohibits "making a false, fictitious, or fraudulent statement or representation" "to obtain or attempt to obtain" from consumers "consumer information of a financial institution;"
- ROSCA, 15 U.S.C. §§ 8401-8405, which prohibits the sale of goods or service on the Internet through negative option marketing without meeting certain requirements to protect consumers; and
- EFTA, 15 U.S.C. §§ 1693-1693r, and its implementing Regulation E, 12 C.F.R. Part 1005, which regulate the rights, liabilities, and responsibilities of participants in electronic fund transfer systems.

B. Defendants

Defendants include 17 interrelated companies operating as a common enterprise ("Corporate Defendants") and five individuals who manage and run the scheme ("Individual Defendants"). The Corporate Defendants can be loosely grouped into two categories based on their primary roles in the scheme—the consumer-facing entities and the lead-generation entities.

The nine consumer-facing entities, which do business as Credit Glory, Credit Sage, Credit Joy, Credit Clerk, and Standard Scores, maintain the various merchant accounts that process consumer payments, maintain deposit accounts into which those funds are transferred and out of which the operation's expenses are paid, and enter into contracts with consumers for the purported credit repair services. These entities include:

- **Credit Glory LLC**, separately organized as a Delaware limited liability company organized on August 1, 2016 (PX08 at 7 ¶ 23, Att. A at 76, 97), a Wyoming limited liability company organized on May 2, 2022 (*id.* at 9 ¶ 37, Att. A at 98-101, 106-09), and a Nevada limited liability company organized on February 13, 2024. (*Id.* at 9-10 ¶ 42, Att. A at 115.) It is or has been also registered to do business in California. (*Id.* at 9 ¶ 39, Att. A at 110-11.) All three, which Defendants use interchangeably, do business using the name Credit Glory. (*Id.* Att. C at 187.)

- **Credit Glory Inc.**, which was originally incorporated in New York on September 23, 2016 (*id.* at 7 ¶ 24, Att. A at 77-78) but converted to a Delaware corporation on May 23, 2019. (*Id.* at 8 ¶ 28, Att. A at 85-86.) It is or has been also registered to do business in Florida, Nevada, and California. (*Id.* at 7 ¶ 26, 8 ¶¶ 29, 31, Att. A at 81-83, 87, 89.) It also does business using the name Credit Glory. (*Id.* Att. C at 138, 149, 163, 169.)

- **Credit Sage LLC**, a Delaware limited liability company organized on February 17, 2022. (*Id.* at 15 ¶ 69, Att. K at 275-81.) It is or has been also registered to do business in Washington. (*Id.* at 16 ¶ 70, Att. K at 284-87.) It does business using the name Credit Sage. (*Id.* Att. M at 320, 340.)

- **Joy Credit Software LLC**, a Delaware limited liability company organized on September 3, 2023. (*Id.* at 26-27 ¶ 119, Att. EE at 552-55.) It does business using the name Credit Joy. (*Id.* Att. FF at 562, Att. GG at 570, 596.)

- **Clerk Credit Systems LLC**, a Delaware limited liability company organized on March 20, 2023. (*Id.* at 20 ¶ 91, Att. S at 389-91.) It does business using the name Credit Clerk. (*Id.* Att. U at 421, 426, 428, 433, 435.)

- **Clerk Credit Software LLC**, a Delaware limited liability company organized on October 2, 2024. (*Id.* at 25 ¶ 114, Att. BB at 529-30.) It also does business using the name Credit Clerk. (*Id.* Att. FF at 549-50.)

- **Standard Scores LLC**, a Delaware limited liability company organized on January 23, 2023, originally under the name Standard Score LLC but changed to Standard Scores on January 27, 2023. (*Id.* at 30 ¶ 138, Att. LL at 642-44, 647.) It is or has been also registered to do business in North Carolina. (*Id.* at 31 ¶ 139, Att. LL at 650-52.) It does business using the name Standard Scores. (*Id.* Att. NN at 694, 700, 707, 718.)

The eight lead-generation entities appear to have no other function than to place the Google ads used to solicit consumers or be named in the generic landing pages associated with the Google ads. They include:

- **Collection Payments LLC**, a Delaware limited liability company organized on August 21, 2023. (*Id.* at 36 ¶ 168, Att. TT at 761-62.)

- **Collections Dispute LLC**, a Delaware limited liability company organized on April 24, 2025. (PX09 at 1-2 ¶ 5, Att. A at 6-7.)

- **Collections Expert LLC**, a Delaware limited liability company organized on March 11, 2025. (PX08 at 42 ¶ 188, Att. EEE at 859.)

- **Collections Support LLC**, a Delaware limited liability company organized on August 29, 2023. (*Id.* at 38-39 ¶ 179, Att. XX at 790-91.)

- **Credit Cop LLC**, a Delaware limited liability company organized on February 21, 2022. (*Id.* at 46 ¶ 204, Att. NNN at 953-54.)

- **Dispute Collection LLC**, a Delaware limited liability company organized on March 3, 2025. (*Id.* at 47-48 ¶ 210, Att. SSS at 1012.)

- **Glorious Credit LLC**, a Delaware limited liability company organized on February 19, 2025. (*Id.* at 43 ¶ 193, Att. III at 909.)

- **Joyful Credit LLC**, a Delaware limited liability company organized on February 19, 2025.[1] (*Id.* at 40 ¶ 183, Att. AAA at 806.)

The Individual Defendants are:

- **Alexander Brola**, the mastermind controlling Defendants' operation. He is or was an owner, officer, director, or manager of Credit Glory Inc., the three Credit Glory LLCs, Credit Sage, Standard Scores, and Credit Cop. (*Id.* at 57-58 ¶ 224, Table 2.) In particular, Defendant Brola is or was president, chief executive officer, vice president, secretary, treasurer, chief financial officer, director, and owner of Credit Glory Inc. (*id.* at 7 ¶ 26, 8 ¶¶ 28, 30-34, 9 ¶¶ 36, 38, 10 ¶ 45, 11 ¶¶ 49, 50, 51, Att. A at 83, 84, 85, 87, 88, 89, 90, 91-92, 93, 94-96, 104, Att. B at 121, Att. C at 138, 150, 151, 163, 169, 170); managing member, member, owner, president, chief executive officer, marketing vice president, and controlling officer of the Credit Glory LLCs (*id.* at 9 ¶ 38, 40, 9-10 ¶ 42, 10 ¶¶ 43, 45, 47, 11-12 ¶ 52, 12 ¶¶ 53, 54, 15 ¶ 67, Att. A at 102-03, 112, 115, 49-50 ¶ 217, Att. B at 125-26, 132-34, Att. C at 187, Att. XXX at 1039-40, 1040-41, 1044-53, 1069); governor, member, managing member, owner, officer, and president of Credit Sage LLC (*id.* at 15 ¶ 69, 16 ¶¶ 70, 74, 16-17 ¶ 75, 17 ¶ 78, 50 ¶ 219, Att. K at 275-81, 282-83, Att. M at 320, 325, 340, Att. XXX at 1039-40, 1040-41, 1055-64, 1069); president, chief operating officer, and member of Standard Scores LLC (*id.* at 30 ¶ 138, 31 ¶¶ 139, 144, 31-32 ¶ 145, 32 ¶ 146, 33 ¶ 153, Att. LL at 644, 647, 652, 675, 681, Att. MM at 683, Att. NN at 714); and owner and chief executive

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[1] The nominal member/managers/officers of these lead-generation entities appear to be mostly employees or former employees (*e.g.*, head coach sales, sales representative, customer success manager, operations manager, sales director) of Credit Glory LLC, Credit Sage, or Clerk Credit Systems. (PX08 at 15 ¶ 68, 20 ¶ 90, 25 ¶ 113, 38-39 ¶ 179, 40 ¶ 183, 42 ¶ 188, 43 ¶ 193, 47-48 ¶ 210, Att. XX at 789-95, Att. AAA at 805-10, Att. EEE at 858-64, Att. III at 908-10, 913-15, Att. SSS at 1011-17; PX09 at 2 ¶ 6, Att. A at 5-12.) With respect to at least one entity, this was done without the employee's knowledge or consent. Celina Coleman, nominal officer of Glorious Credit and former sales representative for Defendants, stated that she was asked by Defendants to create a Google ads account to place ads, which she agreed to do, but then they used her personal information without her consent to create Glorious Credit. (PX08 at 43-44 ¶¶ 194-96, Att. III at 911-12.) Shortly after she complained to Harvard Business Services (a third-party business registration company used by Defendants to form the various corporate entities), an individual purporting to be the attorney for Credit Sage inquired how they could transfer Glorious Credit to another individual or transfer the company to Credit Sage. (*Id.* at 44 ¶ 197, Att. JJJ at 921-29.)

officer of Credit Cop. (*Id.* at 46 ¶ 205, Att. OOO at 957.) He is an authorized signatory on many of Defendants' financial accounts and account contact for Defendants' telecommunications services. (*Id.* at 10 ¶¶ 45, 46, 47, 11 ¶¶ 50-51, 11-12 ¶ 52, 12 ¶¶ 53-54, 12-13 ¶ 55, 13 ¶ 56, 16 ¶ 74, 16-17 ¶ 75, 17 ¶¶ 77-79, 32 ¶ 146, 46 ¶ 205, Att. B at 121, 125, 132-34, Att. C at 138-50, 151-62, 163-68, 169-86, 187-89, Att. D at 191-95, 196-99, Att. L at 293-96, Att. M at 307-19, 320-39, 340-42, Att. N at 344-45, Att. P at 355-57, Att. MM at 683-85, Att. OOO at 956-61.) He also associated with Defendants' Google ads campaigns. (*Id.* at 47 ¶ 206, 50 ¶ 218, Att. XXX at 1066 (interrogatory response in unrelated litigation states that Brola "had full access to [Defendants'] Google Ads strategies and processes").) Defendants' telecommunications services (including the phone numbers associated with their Google ads campaigns) are paid, in many instances, with corporate credit cards issued in his name. (*Id.* at 13-14 ¶ 60, 19 ¶¶ 84-85, Att. F at 205-08, Att. P at 356-57.) Brola resides in Phoenix, Arizona, numerous logins to Defendants' infrastructure accounts are from IP addresses in Phoenix, and he also lists his residential address as the physical address for various corporate Defendants. (*Id.* 7 ¶ 26, 10-11 ¶ 47, 17 ¶ 77, 69-70 ¶ 253, Att. A at 83, 84, Att. B at 129-30, 36, Att. C at 138, 162, Att. M at 339, Att. XXX at 1053, 1064.)

- **Liam Pavel Tame Te Amorangi Tira Emery**, who is or was an owner, officer, director, or manager of Credit Glory LLC and Credit Sage. (*Id.* at 59 ¶ 224, Table 2.) In particular, Emery is or was a member of Credit Glory LLC (*id.* at 49-50 ¶ 217, Att. XXX at 1039-40, 1040-41, 1069); and a member, owner, and officer of Credit Sage.[2] (*Id.* at 49-50 ¶ 217, 50 ¶ 219, Att. XXX at 1039-40, 1040-41, 1069.) He is an authorized signatory on many of Defendants' financial accounts. (*Id.* at 10 ¶ 46, 16 ¶ 74, Att. L at 302-04.) He is also the registrant for many of Defendants' websites and Google ads accounts associated with their lead generation activities. (*Id.* at 36 ¶ 171, 36-37 ¶ 172, 37 ¶¶ 173, 174, 39 ¶ 180, 41 ¶ 186, 43 ¶ 192, 46 ¶ 203, 47 ¶¶ 206, 209, 48-49 ¶ 213, 50 ¶ 218, Att. XXX at 1066 (interrogatory response in unrelated litigation states that Emery "had full access to [Defendants'] Google Ads strategies and processes"), Att. W at 449, Att. HHH at 609, Att. UU at 768, 781-82, Att. YY at 797, Att. CCC at 815, Att. MMM at 945, Att. RRR at 1004, Att. UUU at 1021; PX09 at 2 ¶8.) Emery is a citizen of, and resides primarily in, New Zealand, and numerous

[2] Emery and Brola are also the sole shareholders and directors of a terminated New Zealand company called Siren Digital Limited. (*Id.* at 35 ¶ 164-67, Att. SS at 748-58.) Many of Defendants' websites and Google ads accounts are registered in the name of Siren Digital. (*Id.* at 37 ¶¶ 173-74, 39 ¶ 180, 43 ¶ 192, 46 ¶ 203, 47 ¶ 209, 48-49 ¶ 213, Att. VV at 784, Att. WW at 786-87.) Emery also created another New Zealand company called Financial Marketing Limited, through which he receives funds from Defendants. (*Id.* at 50 ¶ 222, Att. AAAA at 1098.)

log-ins to Defendants' infrastructure accounts are from IP addresses in New Zealand. (PX08 at 36-37 ¶ 172, 37 ¶ 173, 69-70 ¶ 253.)

- **Marko Petkovic**, who is or was an owner, officer, director, member, or manager of Credit Glory LLC and Credit Sage. (*Id.* at 59 ¶ 224, Table 2.) In particular, Petkovic is the chief executive officer and president of Credit Glory LLC (*id.* at 49 ¶¶ 215-16, Att. VVV at 1028-29, Att. WWW at 1035-37, Att. YYY at 1077-78); and chief executive officer of Credit Sage. (*Id.* at 49 ¶¶ 215-16, Att. VVV at 1029, Att. WWW at 1035-37.) Petkovic is a Serbian national residing in Belgrade, and numerous log-ins to Defendants' infrastructure accounts are from IP addresses in Belgrade. (*Id.* at 40 ¶ 183, 42 ¶ 188, 43 ¶ 193, 47-48 ¶ 210, 69-70 ¶ 253; PX09 at 1-2 ¶ 5.)

- **Joshua Curtis**, who is or was an owner, officer, director, or manager of Joy Credit Software and Standard Scores. (PX08 at 61 ¶ 224, Table 2.) In particular, Curtis is the owner, member, and chief executive officer of Joy Credit Software (*id.* at 26-27 ¶ 119, 27 ¶¶ 122, 124, 27-28 ¶ 125, 28 ¶¶ 126, 127, 128, 30 ¶ 137, Att. EE at 554, 556, Att. GG at 572, 573, 581, 585, 586, 589, 593, 598); and the owner, chief executive officer, and chief financial officer of Standard Scores.[3] (*Id.* at 31 ¶¶ 140, 142, 143, 32 ¶ 148, 33 ¶¶ 152, 153, 154, 34 ¶ 156, 35 ¶ 163, Att. LL at 648-49, 653 (in response to question from Harvard Business Services whether Curtis should be listed as Standard Scores contact, Brola replies "Yes please. Josh owns Standard Scores not I"), 660, Att. NN at 694, 699, 700, 702, 705, 707, 714, 718-19, 722, Att. YYY at 1087-88.) He is an authorized signatory on many of Defendants' financial accounts and account contact for infrastructure accounts like payroll. (*Id.* at 27 ¶¶ 122, 124, 27-28 ¶ 125, 28 ¶¶ 126-28, 29 ¶ 130, 32 ¶ 148, 32-33 ¶ 151, 33 ¶¶ 152, 153, 154, 34 ¶ 156, Att. KK at 289-91, Att. EE at 552, 557-60, Att. FF at 562-68, Att. GG at 570-72, 573-80, 581-88, 589-95, 596-99, Att. HH at 606-07, Att. MM at 686-92, Att. NN at 694-99, 700-06, 707-17, 718-23, Att. OO at 725-33, Att. QQ at 737-39.) Defendants' telecommunications services (including the phone numbers associated with their Google ads campaigns) and infrastructure accounts are paid, in many instances, with corporate credit cards issued in his name. (*Id.* at 29 ¶ 132, Att. EE at 558-59, Att. II at 616.) Curtis resides in Richmond, Virginia, numerous log-ins to Defendants' infrastructure accounts are from IP addresses in Richmond, and he uses his personal address as the business address for various corporate Defendants. (*Id.* at 27 ¶ 122, 33-34 ¶ 155, 34 ¶ 156, 34-35 ¶ 160, Att. FF at 562, Att. GG at 573, 571, 588, Att. MM at 686-89, Att. NN at 706, 712-13, 717.)

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[3] Curtis also created two other companies, EQB Wealth LLC and EQB Strategy LLC, through which he receives funds from Defendants. (*Id.* at 50 ¶ 221, Att. ZZZ at 1091-96.)

- **David Naylor**, who is or was an owner, officer, director, or manager of Clerk Credit Systems, Clerk Credit Software, and Collection Payments. (*Id.* at 60 ¶ 224, Table 2.) In particular, Naylor is the owner, member, manager, and chief operating officer of Clerk Credit Systems (*id.* at 20 ¶ 91, 21 ¶¶ 93, 94, 22 ¶¶ 97, 98, 100, 25 ¶ 113, Att. S at 391, 97, Att. U at 410, 415, 426, 433, 435, Att. VVV at 1031, Att. YYY at 1074-75); owner, sole member, manager, and chief operating officer of Clerk Credit Software (*id.* at 25 ¶¶ 114-15, 26 ¶ 118, Att. BB at 530, 534, Att. DD at 549-50, Att. VVV at 1031); and sole member of Collection Payments. (*Id.* at 36 ¶¶ 168-69, Att. TT at 762.) He has also been a senior sales manager of Credit Glory LLC and a sales representative for Credit Sage. (*Id.* at 15 ¶ 67, 20 ¶ 90.) He is an authorized signatory on many of Defendants' financial accounts, is the account contact for their telecommunications and payroll services, organizational accounts, and is associated with Defendants' Google ads accounts. (*Id.* at 21 ¶ 94, 22 ¶¶ 97, 98, 100, 23 ¶ 102, 24 ¶ 107, 25 ¶ 112, 25-26 ¶ 116, 26 ¶ 118, 47 ¶ 206, Att. S at 393-400, Att. T at 402-08, Att. U at 410-20, 421-34, 435-37, Att. V at 444-45, Att. AA at 527, Att. BB at 531-33, Att. CC at 536-39, Att. TT at 760-65.) Defendants' telecommunications services (including the phone numbers associated with their Google ads campaigns) and organizational accounts are paid, in many instances, with corporate credit cards issued in his name. (*Id.* at 24 ¶ 108, Att. S at 393-96, Att. Y at 498, Att. BB at 531-33, Att. TT at 764-65, Att. PPP at 963-65.) Naylor resides in Oklahoma City, Oklahoma, numerous log-ins to Defendants' infrastructure accounts are from IP addresses in Oklahoma City, and he uses his personal residence as the business address for various corporate Defendants. (*Id.* at 20-21 ¶ 92, 21 ¶ 94, 22 ¶ 97, 25 ¶ 115, 27 ¶¶ 120, 124, 28 ¶¶ 126-28, 36 ¶ 169, 38-39 ¶ 179, 69-70 ¶ 253, Att. S at 393-96, Att. T at 404-05, Att. U at 410, Att. AA at 527, Att. BB at 531-33, Att. GG at 595, 599, Att. TT at 764-65.)

Defendants operate as a common enterprise to defraud consumers with their credit repair scheme, utilizing a network of interrelated companies. Corporate records and other documents show that the various Corporate Defendants are commonly owned or managed by the Individual Defendants and share employees and addresses. (*Id.* at 71-72 ¶¶ 258-61; *see also* PX01 at 1 ¶ 4 (former employee stated that Credit Glory and Credit Sage "sold the same product and made the same sales pitches to consumers. They only difference between them was the name they used"); PX08 at 45 ¶ 199, Att. KKK at 939 (former employee, when asked who owner was, stated "They own multiple. There's a few of them. They are all in cahoots with multiple companies, subsidiaries").) Bank records demonstrate routine commingling of funds, with significant funds being regularly transferred to Brola, commingled in his personal accounts, and then transferred back to the various companies. (PX08 at 67 ¶ 247.) Meanwhile, the phone numbers associated with the Google ads placed by the lead-generation entities are registered to, and paid for by, the consumer-facing entities. (*Id.* at 38-39 ¶ 179, Att. F at 209-11, Att. P at 358-67, Att. Y at 499-507, Att. II at 617-24, Att. UU at 767, Att. YY at 798-800, Att. CCC at 816-30, Att. HHH at 610-14, Att. MMM at 946-51, Att. RRR at 1005-09, Att. UUU at 1022-25.)

Much of Defendants' operations appear to be done remotely. Bank and payroll records indicate that employees are located across the United States as well as internationally. (*Id.* at 70 ¶ 255, 71 ¶ 259, 69 ¶ 252; PX09 Att. D at 338 (customer service position described as "Full-Time, 100% Remote"), 340 (sales representative advertisement described as "Full-Time Remote Role").) The addresses on their consumer-facing documents, such as contracts and websites, are commercial mail receiving entities, as are most of the addresses associated with their infrastructure, such as financial accounts and telecommunications services. (*Id.* at 5-6 ¶ 21, 74 ¶ 267.) Other addresses associated with their infrastructure appear to be the Individual Defendants' personal residences. (*Id.* at 7 ¶ 22.) And IP log activity and other records indicate that the Individual Defendants control the operation from those personal residences. (*Id.* at 69-70 ¶ 253.)

III. DEFENDANTS' UNLAWFUL CREDIT REPAIR SCHEME

Since at least 2016, Defendants have operated a sprawling credit repair scam. Defendants have marketed their scheme to consumers located throughout the United States. (*See, e.g.*, PX05 at 2 ¶ 6 (Arizona), 4 ¶ 22 (Iowa), 6 ¶ 36 (Ohio), 9 ¶ 49 (Florida), 11 ¶ 60 (Nevada), 12 ¶ 69 (Alabama), 14 ¶ 81 (Louisiana), 16 ¶ 92 (North Carolina); PX06 at 1 ¶ 1 (New York); PX07 at 2 ¶ 6 (Connecticut); 4 ¶ 18 (New Jersey), 6 ¶ 30 (Texas), 8 ¶ 44 (Michigan), 11 ¶ 59 (California).) Defendants' unlawful practices fall into three main categories: (A) deceptive impersonations and false and misleading promises regarding their credit repair services; (B) collecting prohibited advance fees; and (C) unlawful enrollment practices.

A. Defendants Make False and Misleading Representations to Market Their Credit Repair Services

Section 5 of the FTC Act prohibits material representations or omissions that would likely mislead consumers acting reasonably under the circumstances. *FTC v. Stefanchik*, 559 F.3d 924, 928 (9th Cir. 2009). A claim is material if it "involves information that is important to consumers and, hence, [is] likely to affect their choice of, or conduct regarding, a product." *FTC v. Cyberspace.com LLC*, 453 F.3d 1196, 1201 (9th Cir. 2006). Express claims are presumed material, so consumers, to be deemed reasonable, are not required to question the veracity of such claims. *See FTC v. Pantron I Corp.*, 33 F.3d 1088, 1095-96 (9th Cir. 1994). In addition, consumer action based on express statements is presumptively reasonable. *FTC v. Ivy Cap., Inc.*, 2013 U.S. Dist. LEXIS 42369, at *23 (D. Nev. Mar. 26, 2013); *FTC v. Stefanchik*, 2007 U.S. Dist.

LEXIS 25173, at *14 (W.D. Wash. Apr. 3, 2007) ("Reasonable consumers are not required to doubt the veracity of express representations . . . ."), *aff'd* 559 F.3d 924 (9th Cir. 2009).

The FTC need not prove reliance by each consumer misled by Defendants. *FTC v. Figgie Int'l, Inc.*, 994 F.2d 595, 605 (9th Cir. 1993). "Requiring proof of subjective reliance by each individual consumer would thwart effective prosecutions of large consumer redress actions and frustrate the statutory goals of [Section 13(b)]." *Id.*

To determine whether a representation is misleading, the Court is not confined to analyzing isolated words and phrases but must consider the overall "net impression" that Defendants' representations make upon consumers. *See Cyberspace.com*, 453 F.3d at 1200 (solicitation can be deceptive by virtue of its net impression even if it contains truthful disclosures); *FTC v. Elegant Sols.*, 2020 WL 4390381, at *8 (C.D. Cal. July 6, 2020); *FTC v. Grant Connect, LLC*, 827 F. Supp. 2d 1199, 1214 (D. Nev. 2011). And because the FTC Act is a consumer protection statute, any disputed representation should be construed in favor of the consumer. *Resort Car Rental Sys. v. FTC*, 518 F.2d 962, 964 (9th Cir. 1975).

The FTC need not prove that Defendants' misrepresentations were made with an intent to defraud or deceive or in bad faith. *See, e.g.*, *Removatron Int'l Corp. v. FTC*, 884 F.2d 1489, 1495 (1st Cir. 1989); *FTC v. World Travel Vacation Brokers*, 861 F.2d 1020, 1029 (7th Cir. 1988); *FTC v. OMICS Grp. Inc.*, 374 F. Supp. 3d 994, 1010 (D. Nev. 2019). Indeed, good faith is not a defense to liability for violating Section 5 of the FTC

Act. *See, e.g.*, *Cyberspace.com*, 453 F.3d at 1202. Neither is intent to deceive necessary to demonstrate a violation of Section 5 of the FTC Act. *See, e.g.*, *FTC v. Publ'g Clearing House*, 104 F.3d 1168, 1171 (9th Cir. 1997).

Similarly, Section 404(a)(3) of CROA prohibits credit repair organizations from making or using "any untrue or misleading representation of the services of the credit repair organization." 15 U.S.C. § 1679b(a)(3).[4] To establish a violation of this provision of CROA, the FTC only needs to show an untrue or misleading statement regarding a credit repair service; the statement need not be designed to induce the consumer's purchase. *FTC v. Gill*, 265 F.3d 944, 955 (9th Cir. 2001). Section 404(a)(1)(A) of CROA prohibits credit repair organizations from making, or advising any consumer to make, any statement that is untrue or misleading with respect to any consumer's credit worthiness, credit standing, or credit capacity to a consumer reporting agency ("CRA"). 15 U.S.C. § 1679b(a)(1)(A). And Section 404(a)(4) of CROA prohibits credit repair organizations from engaging in acts or practices that constitute or result in the commission of, or attempt to commit, a fraud or deception on any person. 15 U.S.C. § 1679b(a)(4).

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[4] Defendants fall under CROA's broad definition of "credit repair organization," which covers any person who uses any instrumentality of interstate commerce or the mails to offer to provide services, in return for a fee, to improve a consumer's credit record, credit history, or credit rating. 15 U.S.C. § 1679a(3). And Defendants do not fall within any exception in Section 403(3)(B)—none is a 501(c) non-profit, a creditor assisting a consumer to restructure debts owed by the consumer to the creditor, or a depository institution. *Id.*

Meanwhile, Section 310.3(a)(2)(iii) of the TSR prohibits sellers and telemarketers from "misrepresenting, directly or by implication, any material aspect of the performance, efficacy, nature, or central characteristics of goods or services that are the subject of a sales offer." 16 C.F.R. § 310.3(a)(2)(iii).[5]

Further, Section 521(a)(2) of the GLB Act bars the use of false or fraudulent statements to acquire a consumer's banking information. Specifically, the act prohibits "any person" from "obtain[ing] or attempt[ing] to obtain . . . customer information of a financial institution relating to another person . . . by making a false, fictitious, or fraudulent statement or representation to a customer of a financial institution." 15 U.S.C. § 6821(a)(2). "[C]ustomer information of a financial institution" refers to "information maintained by or for a financial institution which is derived from the relationship between the financial institution" and its customer that is "identified with the customer." 15 U.S.C. § 6827(2). A "customer" of a financial institution is "any person" or their authorized representative "to whom the financial institution provides a product or service." 15 U.S.C. § 6827(1).

Here, Defendants market their purported services primarily through inbound telemarketing. (PX01 at 1 ¶ 2; PX09 Att. D at 340 (job description for sales representative at Credit Sage states, "you'll handle 20-30 inbound calls daily").)

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[5] Defendants' telemarketing activities are covered by the TSR. Although Section 310.6(b)(5) of the TSR generally exempts from TSR coverage inbound telemarketing calls in response to general medium advertising, there is an exception to the exemption for inbound calls relating to credit repair services. 16 C.F.R. § 310.6(b)(5).

Defendants use two paths to solicit consumers to contact them. First, they use Google ads to lure unsuspecting consumers trying to contact debt collection entities and creditors into calling Defendants instead. Second, Defendants use other Google ads and maintain several Internet websites on which they make deceptive representations regarding their services to consumers seeking credit repair. Regardless of the path by which consumers are induced to call, when consumers speak with Defendants, their telemarketers falsely claim that Defendants' purported credit repair services will substantially improve consumers' credit scores by promising to remove negative items from consumers' credit reports.

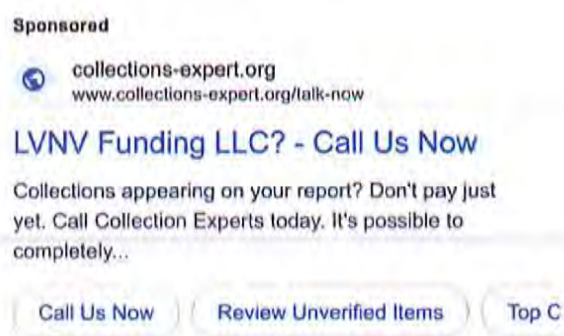
1. Path 1: Defendants Deceptively Impersonate Debt Collection Entities and Creditors to Induce Consumers to Call Them

Many consumers find themselves calling Defendants because they have been contacted by legitimate debt collection entities or creditors or see negative information on their credit reports placed by these entities. (PX01 at 4 ¶ 15; PX05 at 4-5 ¶¶ 23-24, 9 ¶ 50, 13 ¶ 73, 16 ¶ 93; PX06 at 1 ¶¶ 4-5; PX07 at 4 ¶ 19, 6-7 ¶¶ 32-34.) These consumers, then, conduct an Internet search (typically using Google) to find the contact information for these entities. (PX05 at 5 ¶ 24, 9 ¶ 50, 13 ¶ 73, 16 ¶ 93; PX06 at 1-2 ¶ 6; PX07 at 2 ¶ 7, 4 ¶ 19, 7 ¶ 36; PX08 at 62 ¶ 228.)

In order to lure consumers searching for legitimate debt collection entities or creditors, Defendants purchase Google ads. (*See, e.g.*, PX01 at 3 at ¶ 11 ("if a consumer used Google to search for a large debt collection agency like Midland Credit, for example, a Credit Sage or Credit Glory advertisement containing our telephone number appeared as the first listing in the search results—even above the listing for the actual debt collection agency itself"); PX08 at 13 ¶¶ 57-58, 18 ¶ 81, 18-19 ¶ 83, 23 ¶¶ 103, 105, 34 ¶ 157, 37 ¶ 174, 39 ¶ 181, 40-41 ¶ 184, 42 ¶ 189, 45 ¶ 200, 45-46 ¶ 202, 47 ¶ 206, 48 ¶ 211.) These ads allow consumers to initiate instantly a phone call to Defendants without having to copy or memorize the number. (*See, e.g.*, PX01 at 3 ¶ 11 ("By clicking on our phone number in our advertisement, the consumer was connected to us by telephone"); PX08 at 62 ¶ 227, Att. BBBB at 1100 (Google ads support pages state "To get phone calls to your business set up a call campaign to encourage consumers to call you by clicking or tapping your ad"), 1103 ("Call assets let you add phone numbers to your ads. . . When your call assets show, people can tap or click a button to call your business directly").) Defendants have numerous accounts through which they purchase Google ads. (*Id.* at 13 ¶¶ 57-58, 18 ¶ 81, 18-19 ¶ 83, 34 ¶ 157, 37 ¶ 174, 39 ¶ 181, 40-41 ¶ 184, 42 ¶ 189, 45 ¶ 200, 45-46 ¶ 202, 48 ¶ 211, Att. E at 201-03, Att. O at 352-53, Att. PP at 735, Att. WW at 786-87, Att. ZZ at 802-03, Att. BBB at 812-13, Att. FFF at 866, Att. LLL at 942-43, Att. TTT at 1019; PX09 at 2 ¶ 7, 2-3 ¶ 9.)

Defendants pay for keywords in numerous variations on the names of hundreds of debt collection entities and creditors to appear in search results for consumers making search queries for those debt collection entities and creditors. (PX08 at 18 ¶ 82 (two accounts with 2,798 and 2,375 keywords), 34 ¶ 158 (455 keywords), 37-38 ¶ 175 (3,609 keywords), 39-40 ¶ 182 (3,491 keywords), 41 ¶ 185 (3,712 keywords), 42-43 ¶ 190 (3,649 keywords), 45 ¶ 201 (3,625 keywords), 48 ¶ 212 (11 keywords).) For example, for a debt collector such as LVNV Funding, Defendants use keywords such as "LVNV Funding Contact," "LVNV Funding Phone Number," and "LVNV Phone Number." (*Id.* at 18 ¶ 82, 37-38 ¶ 175, 39-40 ¶ 182, 41 ¶ 185, 42-43 ¶ 190, 45 ¶ 201.) Similarly, for creditors, like AAFES, USAA, AT&T, Sprint, and Verizon, Defendants use keywords that follow the same pattern, *e.g.*, "AAFES Collections," "AAFES Collections number," "AAFES Collections customer service," "USAA Collections," "USAA Collections Phone Number," etc. (*Id.* at 18 ¶ 82, 37-38 ¶ 175, 39-40 ¶ 182, 41 ¶ 185, 42-43 ¶ 190, 45 ¶ 201.)

Through the use of these keywords, when consumers search for legitimate debt collection entities, they find Defendants' ads—which typically appear above organic search results—such as the following:



(*Id.* Att. GGG at 870; PX09 Att. C at 70.) Similarly, when consumers search for creditors, such as AAFES, USAA, AT&T, Sprint, or Verizon, they see ads such as the following:

(PX09 Att. C at 104; *see also id.* Att. H at 239-52 (sample ads placed by Credit Glory), Att. DDD at 832-56 (sample ads placed by Joyful Credit), Att. GGG at 868-906 (sample ads placed by Collections Expert); PX09 Att. B at 14-53 (sample ads placed by Collections Dispute), Att. C at 55-193 (sample ads placed by Erase Collections).) For example, a consumer who had a delinquent account with LVNV Funding and did a Google search for LVNV Funding saw the following ad as the first search result that she thought belonged to LVNV Funding:

(PX05 at 9 ¶¶ 50-51, 11 ¶ 59, Att. D at 54.)

When consumers click on the ad or phone icon thinking they are calling the real debt collection entities or creditors, they instead reach Defendants. (PX01 at 4 ¶ 15 (according to former employee, when consumers called Defendants "they believed that they were speaking to someone at [the actual debt collection entity] who could help them"); PX02 at 1-2 ¶ 7 (collections supervisor at legitimate debt collection entity reports that "consumers reported to us that when attempting to contact [her company] through online search results, they instead reached companies identified as Credit Glory, Credit Sage, or Credit Joy" and "believed they were communicating with" her company); PX05 at 4-5 ¶¶ 23-24 (consumer saw a debt owed to Creedence Resource Management and did a Google search on her phone and saw a search entry "for what appeared to be Creedence was listed at the top of the results page;" she pressed the phone icon "thinking that it would connect her to Creedence customer service"); PX06 at 1-2 ¶ 6; PX07 at 4 ¶ 19, 7 ¶ 36.)

Defendants do nothing to dispel consumers' belief that they are talking with the debt collection entities or creditors, even in circumstances where it is apparent the consumer is operating under that assumption. First, Defendants do not affirmatively state that they are not the entities consumers think they are calling, nor do they identify themselves as one of Defendants' consumer-facing names. (PX05 at 2 ¶ 9 (consumer thought she was speaking with Experian and telemarketer "did not say otherwise"), 9 ¶ 52 (when consumer spoke with Defendants after clicking on a search result that she thought was from LVNV Funding and told the telemarketer that she was calling about her debt with LVNV Funding, although the telemarketer "did not say she was from LVNV . . . she did not deny it and did not mention any other company name during the call"), 11 ¶ 62 (telemarketer did not say any company name when she answered, and consumer did not ask, assuming she was speaking with TransUnion), 16 ¶ 94 (consumer told telemarketer he was calling about paying off his debt to Radius Global Solutions, and the telemarketer "did not correct" the consumer's statement that "he was talking with a representative of Radius"); PX06 at 2 ¶ 8 ("He never told me that he worked for Credit Glory, nor did he tell me that he did not work for TrueAccord"); PX07 Att. B at 25 (page 20:17-21:14) (consumer mentions that the telemarketer works for TrueAccord several times without being corrected); PX08 at 44-45 ¶ 198, Att. KKK at 939 (former employee stated "[t]he entire call flow and pivot is that they assume the role of the debt collectors without stating they're not. There are pretty severe practices where the employees are lying to consumers on the phone").)

In addition, when asked expressly if they are the debt collection entity or creditor, Defendants' telemarketers often reply in the affirmative that they are those entities. (PX05 at 5 ¶ 25 (when consumer asked if she was speaking with Creedence Resource Management, telemarketer replied, "Yes, this is Creedence"); PX07 at 2 ¶ 8 (when consumer asked telemarketer if he was speaking with Portfolio Recovery Associates, the telemarketer "said yes;" when consumer asked again "whether he was sure that this is Portfolio Recovery Associates," the telemarketer "again said that it was;" meanwhile the telemarketer told the consumer "multiple times throughout the call that he worked for

Portfolio Recovery Associates"), 4-5 ¶ 20 (after consumer clicked on an ad she thought was placed by Portfolio Recovery Associates, "a man answered the phone and identified himself as "David with Portfolio Recovery Associates"), 7 ¶ 36 (when consumer called number that she thought was for the debt collector Waypoint Resources Group, the telemarketer said that "she was with Waypoint Resources Group," that Waypoint was at the address listed on credit alert, and confirmed that Waypoint had placed the debt on consumer's credit report), 7 ¶ 37 (when consumer asked for telemarketer's name, she replied "I'm sorry, I can't give you that but I can confirm that I do work for Waypoint"), Att. B at 21 (page 4:17-22) (after consumer stated address for debt collection entity TrueAccord and asked "Is that your address sir?", the telemarketer replied, "I'm at the address for TrueAccord, yes").) In other instances, telemarketers give a misleading response that furthers consumers' misimpressions. (PX01 at 2 ¶ 9 (according to a former employee, during training he was told "I should stop telling consumers that I worked for Credit Sage when they asked if I worked for Midland Credit or another collection agency"), 4 ¶ 15 ("management forbade me from disclosing that I was not affiliated with the collection agency, even if the caller repeatedly pressed me about it"), 4-5 ¶ 16 (when consumers asked if former employee directly was with a particular debt collection entity, he would reply, "We handle the accounts that have been turned over to the collection agency")[6]; PX06 at 2 ¶ 9 (when consumer asked "You're a debt collecting agency,

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[6] The former employee stated that he felt guilty about misleading consumers. (PX01 at 6 ¶ 22.) He stated that on several occasions when asked point-blank if he was with the debt collection entity, he replied that he was not. (*Id.*) He was quickly reprimanded by

right?" the telemarketer responded, "We assist with the collection being reported by the collection agencies")); PX07 at 12 ¶ 64 (when consumer asked if she had reached Impact Receivables Management, the telemarketer replied "We work with Impact").) Indeed, consumers only realize they were not speaking with the actual debt collection entity or creditor when they see the charges placed by Defendants. (PX05 at 10 ¶ 56; PX06 at 2 ¶ 10 ("Based on everything [the telemarketer] said, I believed I was speaking with TrueAccord"); PX07 at 3 ¶ 11 (after paying consumer learned he was dealing with Credit Joy and not the debt collection entity).)

Needless to say, Defendants are not the debt collection entities or creditors that consumers think they are calling. Nor are they affiliated with any of these entities.

Thus, Defendants have violated Section 5 of the FTC Act as alleged in Count II of the Complaint and Section 301.3(a)(2)(iii) of the TSR as alleged in Count IX.b of the Complaint.[7]

Defendants' management for going "too far." (*Id.*) His manager explained, "you have to steamroll these people," referring to consumers. (*Id.*)

[7] Defendants are liable for their telemarketers' misrepresentations. Under the FTC Act, "a principal is liable for the misrepresentations of his agent acting within the scope of the agent's actual or apparent authority." *Stefanchik*, 559 F. 3d at 930; *FTC v. Sale Slash, LLC*, 2015 U.S. Dist. LEXIS 160341, *8 (C.D. Cal. Nov. 25, 2015) ("a defendant cannot escape liability under the FTC Act simply by outsourcing the spam and misleading statements"). Meanwhile, the TSR's provisions are directed at both the telemarketer and the seller.

2. Path 2: Defendants Use Deceptive Internet Marketing to Induce Consumers to Call Them

The other primary method by which Defendants lure consumers to contact them is by using Google ads and Internet websites. Some consumers use Google to search for information on how to improve their credit or resolve issues on their credit reports, such as removing a credit or security freeze, inquiring about a negative item, or inquiring about or resolving an error. (PX05 at 6-7 ¶ 38 (consumer interested in raising his credit score), 11 ¶ 61 (consumer wanted to contact CRA to check her credit report), 15 ¶ 82 (consumer interested in improving his credit); PX07 at 13 ¶ 75 (consumer needed to clean up his credit).) Defendants maintain several Google ads accounts (in addition to the ones described above) through which they target these consumers. (PX08 23 ¶¶ 103, 105, 47 ¶ 206, Att. W at 447-448, Att. PPP at 963-65.)

Defendants also pay for thousands of keywords in numerous variations on the names of the three nationwide CRAs (*i.e.*, Equifax, Experian, and TransUnion). (PX08 at 23 ¶ 104 (two accounts with 2,556 and 2,704 keywords), 47 ¶ 207 (6,444 keywords).) They use keywords such as "call experian," "Experian customer service," and "experian number." (*Id.* at 48 ¶ 212.) Defendants use headlines and descriptions—collectively referred to as the ad's "creatives"—so that consumers see ads such as the following:

(*Id.* Att. X at 462, Att. QQQ at 976; *see also id.* Att. X at 451-96 (more sample ads placed by Credit Clerk), Att. QQQ at 967-1002 (more sample ads placed by Credit Cop).) By clicking on the ads, consumers are connected directly to Defendants.[8]

In addition, Defendants also maintain several websites, including creditglory.com, creditsage.com, creditclerk.com, creditjoy.com, gloryservices.com, and standardscores.com. (PX08 at 14 ¶ 61, 19 ¶ 86, 24 ¶ 109, 29 ¶ 133, 34 ¶ 159, Att. G at 214-36, Att. I at 255-70, Att. Q at 369-84, Att. Z at 511-24, Att. JJ at 627-40, Att. QQ at 740-43; PX09 Att. D at 195-238 (creditclerk.com), 239-84 (creditjoy.com), 285-335 (creditglory.com), 336-53 (creditsage.com).) On these websites, they make numerous claims about improving consumers' credit, including:

[8] Some consumers report that they believed that clicking on ads such as these would connect them directly with a CRA. (PX05 at 11 ¶ 62 (consumer conducted Google search for TransUnion's phone number and clicked the phone icon on the search result thinking it was TransUnion).)

- On average, we assist our clients boosting their FICO scores by 120 points, tackling issues like collections, medical bills, and other negative items (PX09 Att. D at 340)

- We specialize in helping people improve their scores so they can enjoy better approval odds + more favorable terms (*Id.* Att. D at 195)

- Has your credit report been holding back your financial life? Many of our clients come to us because they're struggling to get approved for various loans. We're here to try to fix that. (PX08 Att. JJ at 627-28)

- We've helped thousands of people fix their credit to get mortgages, auto loans, and so much more (PX09 Att. D at 292, 297)

- Does your credit have your financial life in a chokehold? We've worked with thousands of people who can't get approved for any loans because of it…(*Id.* Att. D at 196)

- Get Credit Report Errors Fixed. Enjoy More Favorable Loan Terms. (*Id.* Att. D at 239)

- 95% customer satisfaction (*Id.* Att. D at 285)

- Our Track Record Speaks for Itself
  1000+
  Consumers Helped (PX08 Att. G at 261)

Defendants' websites purport to have thousands of positive reviews and numerous success stories. (PX07 at 13 ¶ 75 (consumer noted that "the first reviews he found for Credit Joy were all positive, which made him more comfortable calling them"), 14 ¶ 78 (consumer noted that the positive reviews were "posted on their website"); PX08 at 14 ¶ 63, 19 ¶ 88, 30 ¶ 135, Att. G at 217, Att. Q at 375 ("See what our customers have to say. We're helping every day Americans regain control of their financial future, one credit report at a time"), Att. JJ at 631 ("Hear directly from the thousands of everyday

Americans that we have helped!"); PX09 Att. D at 202-03, 244-46, 285 ("Over 6500 5-star reviews on Trustpilot"), 292-93, 297, 308, 337, 342 ("Over 5000+ 5-star reviews").) The websites include numerous infographics, described as "real results from the thousands of clients we serve," that list purported before-and-after credit scores (some showing purported score improvements of over 200 points) and the number of negative items that Defendants claim to have removed from credit reports. (PX08 at JJ at 634; PX09 Att. D at 204-24, 247-66.) The websites list phone numbers consumers can call to reach Defendants. (PX05 at 6-7 ¶ 38; PX07 at 13 ¶ 75; PX09 Att. D at 195, 239, 286-87.)

3. Defendants Make False Promises About Their Credit Repair Services

Depending on which of the paths described above led consumers to call Defendants, their telemarketers make one of several sales pitches for Defendants' credit repair services. Defendants' telemarketers typically tell consumers that instead of paying the debt, Defendants will delete the debt and the corresponding negative information from consumers' credit reports. (PX01 Att. A at 22 (scripts have telemarketers state, "even when you pay it [the debt] off completely, that won't get it REMOVED from your credit report. Now you can keep paying if you WANT to, but let's also take a look at your credit report & see if this is eligible for dispute"), 26 ("The first option is to pay it, which might make sense…but it's bad if you want to improve your credit score. Paying a collection removes the balance, but the actual collection itself and all the derogatory marks still stay on your credit report for 7 years…That's what hurts your score drastically, not the balance"), 35 ("What you really need is the item REMOVED from your credit report so that it is no longer dragging down your credit score . . . You need this item off of your report in order to have a HIGHER score"), 75 ("You can pay those small balances, but it won't help your score . . .if your goal is to have a HIGHER score then disputing is your best option"); PX05 at 16 ¶¶ 94-95 (when consumer, who thought he was talking to a legitimate debt collector, stated he wanted to pay off the debt, telemarketer replied "that paying the debt would not help him" and that "he could see what he could do to help"); PX07 Att. B at 22 (page 8:4-16) ("Keep in mind when you do pay a collection, the balance goes to zero, but the derogatory mark would still stay on there for up to seven years. The second option is a legal dispute removal. Quite often these collections have errors, and as per federal law, if these are not corrected by the bureaus, then that account must be removed").)

In other instances, Defendants' telemarketers state that consumers can pay Defendants to resolve the debt, often at small discount, after which Defendants will remove the negative information. (PX01 at 5 ¶ 17 ("What if I told you I could get this completely removed for $1,200? Wouldn't that be great?" . . . "the intent was to give the consumer the impression that the debt collector had agreed to $1,200 as payment in full for the debt"); PX02 at 1-2 ¶ 7 (consumers believed that paying Defendants "would resolve or assist with the debt associated with their accounts placed with [legitimate debt collection entities]"); PX05 at 5 ¶ 26 (when consumer said she was calling about a $266 debt, the telemarketer told her that "he could 'clear' the $266 to $178," which the consumer thought was a service to settle the debt for a reduced amount), 9-10 ¶ 53 (telemarketer stated that consumers "would have to pay the debt and then dispute the negative mark with the credit bureaus" and further explained "they would help dispute it, and that they could dispute other things, as well"); PX07 at 2 ¶ 9 (telemarketer stated that paying $700 "would settle the debt" and for an additional fee they "could have five hard credit inquiries on [the consumer's] credit report removed"), 9 ¶ 48 (telemarketer stated that "you'll pay an initial amount and then monthly payments that will be applied to the debt to get it settled"), 12 ¶ 67 (telemarketer stated that consumer "wasn't obligated to pay $1,863 and could resolve it for $500 if she disputed it").)

For these consumers, as well as consumers who are inquiring generally about fixing their credit, Defendants' telemarketers then explain that in many instances the negative information on consumers' credit reports is inaccurate, and that Defendants can remove that inaccurate information by disputing negative information with the CRAs. (PX01 Att. A at 24 (script: "Here is what I can help you with. If you have any items on your credit report you think are inaccurate or fraudulent then we help with disputing those from your report."), 26 (script: "Quite often, these collections have errors and, as per federal law, if these aren't corrected by the bureaus, the account must be removed. Once removed, it will no longer be visible and your score will definitely increase"), 42 (script: "in over 80% of cases, there is something off with these reports"); PX06 at 3 ¶¶ 14, 16 (telemarketer claimed "they had a dispute team that they recommended 'when these things happen'" and that "their dispute team had expertise in the law"); PX07 at 13-14 ¶ 76 (consumer told "they could repair his credit score").)

Defendants' telemarketers explain that to proceed, they need to charge consumers $1. (PX01 at 6 ¶ 23, Att. A at 130-31; PX05 at 5 ¶ 27, 11-12 ¶ 64, 13 ¶¶ 72, 74, 15 ¶ 83, 16 ¶ 95; PX06 at 2-3 ¶ 11; PX07 at 5 ¶ 21, 7 ¶ 38, 12 ¶ 65, Att. B at 27 (page 26).) In some instances, the telemarketers describe the $1 charge as necessary to verify consumers' identities, while in other instances they explain it as necessary to pull consumers' credit reports to review. (PX01 at 6 ¶ 23, Att. A at 42, 54, 136; PX05 at 5 ¶ 27, 13 ¶¶ 72, 74; PX06 at 2-3 ¶ 11; PX07 at 5 ¶ 21, 12 ¶ 65, Att. B at 27 (page 26:4-21).) Defendants require consumers to provide their credit or debit card numbers before continuing. (PX01 at 6 ¶ 23, Att. A at 136; PX05 at 5 ¶ 27, 13 ¶ 74, 16 ¶ 95; PX06 at 2-3 ¶ 11; PX07 at 5 ¶ 23, Att. B at 27 (page 26).)

After collecting consumers' financial information for the $1 charge, Defendants' telemarketers then typically purport to review consumers' credit reports while on the phone. The telemarketers typically advise consumers that they are seeing numerous errors on the credit reports that Defendants will use to remove negative items. For example, Defendants' telemarketers inform consumers that they see discrepancies in consumers' personal information, such as an inaccurate birthdate or address, or that an account is not listed on the credit reports of all three consumer reporting agencies ("CRAs"). (PX01 at 8 ¶ 30 (former employee told "to focus on minor inconsistencies in the consumers' credit report" to "convince the consumer to purchase the credit repair service"), 9 ¶ 32 ("if a debt appeared on one version of the consumers' credit report, but not on another, we told consumers that this would allow us to dispute the debt and remove it from their credit reports. We told them that we could definitely get them removed and that their credit score would skyrocket."), Att. A at 27 ("Even if you don't agree with one single penny of the balance or one single date reported . . . that gives you the RIGHT to dispute it"), 67 ("ANYTHING you don't recognize is 100% disputable AND it is the EASIEST and FASTEST way to add points back to your score!"); PX05 at 7 ¶ 39 (telemarketer told consumer that "most negative marks on credit reports were not reported to all three agencies, and that his company would use that as a basis to dispute the marks and have them removed"), 13 ¶ 75 (consumer was told that "every item on her credit report was listed twice, that this was considered fraud, and that [the telemarketer] could use that to get rid of all items"), 15 ¶ 84 (telemarketer told consumer that they "would be able to take all the hard inquiries off his credit report as well as other negative items, such as from Money Lion, Cash Cow, and Secured Credit Services"), 16 ¶ 96 (telemarketer said that consumer's debt with USAA "was eligible for dispute because USAA had given an incorrect report about him"); PX06 at 3 ¶ 15 ("He told me that my date of birth was listed incorrectly and that I had some old addresses listed" and that "these were "identity breaches' and indicated that they were a serious problem" that "were 'doing a lot of damage' to my credit score"), 3 ¶ 17 (telemarketer promised "they could successfully get rid of the AT&T debt and other derogatory information," that "I would be out of debt and my credit report would appear as if these negative items 'were never there,'" and that "my credit score would 'jump back up'"); PX07 Att. B at 39-40, 42 (page 86:16-19) ("The AT&T one is the one pending here, but it's not reporting for all three bureaus, just TransUnion, so you do have the leverage to dispute that") 43 (page 90:1-3) ("It's literally reported only one place, so that means something is wrong") (page 91:8-16) ("and once you have something successfully disputed, it gets deleted from your report. At that time it goes away completely").)

Defendants' telemarketers explain that they will use these inaccuracies to prepare dispute letters that they will mail, on consumers' behalf, to the CRAs. (PX05 at 7 ¶¶ 39-41,11-12 ¶ 64; PX06 at 4 ¶ 18; *see also* PX09 Att. D at 286 (website states, "It's important to note we use written disputes, not digital disputes like most other agencies (so our success rates are typically higher)").) The telemarketers assure consumers that, upon receipt of those letters, the CRAs will be required to remove all negative items. (PX01 Att. A at 68 ("I didn't see anything on your report that we haven't successfully disputed thousands of times in the past"), 90 ("Our goal is to have this permanently REMOVED off of your credit report"); PX02 at 1-2 ¶ 7 (consumers told that "negative information on their credit reports could be removed through disputes"); PX07 Att. B at 43 (page 91:13-16) ("It's not even a choice. It's your federal rights to actually get that done once it's not reported right, and I am looking at it and telling you that that's the way to go".)

The telemarketers advise consumers that they will see their credit scores improve significantly within 90 days. (PX01 at 8 ¶ 29 (former employee was instructed to tell consumers that their credit "would be fixed really fast, like in 60 days" and that Defendants "promised consumers that their credit score would 'skyrocket' once our credit repair process removed the bad debts from their credit reports. We were supposed to 'hammer the point home' to consumers that their credit was really going to improve"), Att. A at 18, 37 ("Many of our clients have a score INCREASE within JUST 90 days"); PX05 at 9-10 ¶ 53 (telemarketer told consumer "it would take approximately 90 days to get things resolved"), 11 ¶ 63 (telemarketer told consumer that after disputing negative information, "her credit score should be 820"), 16 ¶ 96 (telemarketer claimed "it would take about one to three months to dispute the debt" and "promised that his credit score would go up 100 points"); PX06 at 3 ¶ 16 (consumer told they "could resolve it in 30 to 90 days"), 4 ¶ 18 ("He guaranteed success within 30 to 90 days"); PX07 Att. B at 42 (page 90:13-17) ("our Dispute Team, they specialize in these things. They know the law. They've been around it. They make sure you're valid. They do have a typical thirty to ninety days for that to be done"), 45 (page 99:14-17) ("so I just see your scores right now. You're, like, in the mid-500s, which you said you were higher, so it's doing a lot of damages. A lot of damages"), 48 (page 112:21-113:6) ("So the great news is you're going to be able to help with the added debt that's hurting your credit. We didn't see anything on this that we haven't successfully disputed a thousand times in the past. When the disputes are successful and the items get deleted, never there, and that's when their score actually jumps back up to where it should be"), 48 (page 113:20-22) ("They do have a ninety-day guarantee, so thirty to ninety days to get the job done. Ninety-day guarantee"), 49 (page 114:18-21) (when consumer asked how long to remove negative items, telemarketer replied, "It, it could be removed within a month, sixty days, or ninety, so it's a ninety-day guarantee. So within that timeframe, thirty to ninety days").) The telemarketers reassure consumers that "we have a proven method that WORKS" and over a "95% satisfaction rate with our clients." (PX01 Att. A at 58; *see also id.* Att. A at 78 ("I have a 95%+ satisfaction rating on my disputes. I'm not willing to risk that rating if I'm not confident I'll be able to help you here today"); PX06 at 3 ¶ 16 (telemarketer said "they have a 97 percent satisfaction rate" and "all you would need to do is wait"); PX07 at 13-14 ¶ 76 ("They said they had a success rate of 95%"), Att. B at 45 (page 100:9-10) ("They are very credible, and they have, like, a 97% satisfaction rate").)

At this point, Defendants' telemarketers explain that to proceed with the credit repair services, consumers need to sign a contract electronically that would be emailed or texted to them. (PX01 Att. A at 80-81; PX05 at 7 ¶ 42, 10 ¶ 54, 13-14 ¶ 76, 16 ¶ 96; PX06 at 4 ¶ 16; PX07 Att. B at 49 (page 116), 54 (page 136).) The email or text typically contains a link to a third-party website such as Docusign through which consumers electronically sign the contract.[9] (PX05 at 3 ¶ 13, 7 ¶ 42; 10 ¶ 54, 12 ¶ 67, 13-14 ¶ 76,

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[9] The contract, variously called an Agreement for Credit Dispute and Management Services, Contract for Credit Dispute Management Services, or simply Services Contract, is typically a one-page contract. (PX05 Att. A at 23, Att. B at 23, Att. C at 46-47, Att. D at 59-60, Att. F at 70; PX06 Att. B at 13.) In a half-hearted attempt to comply with CROA, Defendants' contracts do contain the required "Consumer Credit File Rights Under State and Federal Law" (PX05 Att. A at 23-24, Att. B at 34-35, Att. C at 47, Att. D at 60, Att. F at 70-71; PX06 Att. B at 14) and "Notice of Cancellation" form. (PX05 Att. A at 26, Att. B at 37, Att. C at 49, Att. D at 62, Att. F at 72; PX06 Att. B at 16.) As discussed in Section III.C.2 below, however, Defendants' contracts still violate CROA.

Att. A at 19, Att. C at 44, Att. D at 55-56, Att. E at 65; PX06 at 4 ¶ 19; PX07 at 3 ¶ 10, 9 ¶ 50, 14 ¶ 77.) Defendants also state that they require consumers to pay an up-front fee, typically in an amount of several hundreds of dollars (as discussed in more detail in Section III.B below).

In some contracts, buried in a block paragraph describing their services, Defendants state "Customer acknowledges and agrees that Company makes no promises about any particular outcome, and does not make any representations about the effectiveness of its service" (PX05 Att. A at 23). Other contracts have similar buried language. (PX05 Att. B at 34 (the Company "makes no guarantees about the effectiveness of the Service, nor does it guarantee any particular outcome"), Att. C at 46 ("It is understood that CG makes no guarantees or promises of any particular outcome whatsoever"), Att. D at 59, Att. F at 70; PX06 Att. B at 13.) But unexpected, non-obvious disclosures that contradict false claims cannot cure them. Any disclaimers must be prominent and unambiguous to change the apparent meaning and leave an accurate impression. *FTC v. Corpay, Inc.*, 164 F. 4th 807, 836 (11th Cir. 2026) (disclaimers or qualifying language cannot dispel an otherwise misleading impression); *Kraft, Inc. v. FTC*, 970 F.2d 311, 325 (7th Cir. 1992); *Removatron Int'l*, 884 F.2d at 1497; *OMICS Grp.*, 374 F. Supp. 3d at 1010. Moreover, a "disclosure that contradicts the original assertion only creates further uncertainty." *Giant Foods, Inc. v. FTC*, 322 F.2d 977, 986 (D.C. Cir. 1963), *cert. denied*, 376 U.S. 967 (1964). Further, many consumers never see these disclosures; as mentioned, Defendants send consumers the contract while still on the phone, and consumers have felt pressured to sign the contract without fully reviewing its contents. (PX05 at 10 ¶ 54 ("the woman was moving quickly through call" so consumer "did not look at texts closely at that time").)

4. Defendants Do Not Substantially Improve Consumers' Credit Scores

Despite their strong promises, Defendants have generally failed to remove negative items from consumers' credit reports and have not significantly improved consumers' credit scores. As discussed above, their telemarketers claim that Defendants prepare and send manual dispute letters to the various CRAs that they claim will remove negative information, thereby improving consumers' credit scores. Few, if any, consumers ever see copies of these letters, however. (*See also* PX01 at 9 ¶ 35 (former employee stated "I never saw any of these letters and no consumers ever mentioned them to me during my calls with them. As a result, I do not know whether the company actually sent them letters"); PX05 at 8 ¶ 44 (consumer never saw any dispute letters).) When consumers ask for copies of the dispute letters supposedly being sent in their names, Defendants refuse, sometimes claiming that the letters are "proprietary." (PX05 at 10 ¶ 57 (when consumer asked for copies of the dispute letters purportedly sent on her behalf "so she had proof that they were sent," Defendants refused to do so).)

In addition, a supervisor at a legitimate debt collection entity stated that, despite numerous consumers reporting that Defendants had said they would dispute her company's negative items, her company did not receive any such disputes (PX02 at 3 ¶ 9), which would typically be forwarded to the collection company by the CRAs. (PX03 at 3-4 ¶¶ 12-15; PX02 at 2 ¶ 9 ("any formal dispute regarding an account furnished by Impact Receivables would generally be directed to our company as the furnisher appearing on the consumer's credit report").) Thus, if Defendants were sending valid dispute letters, the company should have been contacted by at least one CRA. (PX02 at 2 ¶ 9 ("Impact Receivables has not received disputes submitted by Credit Glory, Credit Sage, or Credit Joy on behalf of consumers whose accounts were placed with our office").)

Even if Defendants do send the CRAs the manual dispute letters as promised, no credit repair company can remove accurate, non-obsolete negative information from a consumer's credit report. *FTC v. 1st Guar. Mortg. Corp.*, 2011 U.S. Dist. LEXIS 38152, at *38 (S.D. Fla. Mar. 30, 2011). (PX03 at 2-3 ¶¶ 10-11; PX04 at 2-3 ¶¶ 7-8.) The manual dispute letters, assuming they are prepared and sent by Defendants, do not increase the odds of success even with inaccurate information. According to the CRAs, assertions that information on a credit report is not accurate are not sufficient to cause a CRA to delete the information unless the CRA verifies the consumer's claim with the creditor. (PX03 at 4 ¶ 17.) And when CRAs receive dispute letters that state no specific basis for the dispute or multiple letters even after information is verified, they typically do not even investigate the dispute. (PX03 at 4-5 ¶ 18.) And here, none of the consumers interviewed stated that Defendants instructed them to provide any documentation to justify removal of negative information.

Similarly, Defendants' claims that minor inaccuracies on a consumer's credit report or the fact that a negative item is not reported on the credit reports of all three CRAs justify removal of the negative item are false. With respect to the former, the CRAs advise that, at most, inaccurate information will be corrected and, if the inaccuracy calls into question the legitimacy of the debt, it is verified with the creditor—not deleted. (PX03 at 5 ¶ 19.) And with respect to the latter, the Fair Credit Reporting Act ("FCRA") does not require that creditors report information to all three CRAs. (PX03 at 5 ¶ 20.) Thus, it is not unusual for a consumer to find items on the credit report from one CRA but not on another, and such an occurrence is certainly not grounds for removal of the information. (PX03 at 5 ¶ 20.)[10]

The net result is that, after paying hundreds of dollars in fees, consumers discover that nothing has been removed from their credit reports and their credit scores have not improved. (PX02 at 1 ¶ 5 (collections supervisor at legitimate debt collection entity noted that she and her staff regularly hear from consumers asking why her company was

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[10] Even if Defendants, like the proverbial blind squirrel who occasionally stumbles across a nut, do succeed in removing a few negative items, that does not guarantee the substantial score increase promised to consumers. According to FICO, a consumer's credit score is comprised of five types of data elements, with payment history accounting for approximately 35% of the score. (PX04 at 2 ¶ 4.) Thus, removal of a negative item (*i.e.*, negative payment history), while having some positive impact, would not be at the level promised by Defendants. And to the extent the removed negative information is a hard inquiry, the effects are minimal, as hard inquiries account for only approximately 10% of a credit score. (PX04 at 3 ¶ 10.) And if the hard inquiry is more than a year old, it is not even considered in FICO's calculation of credit scores. (PX04 at 3 ¶ 9.) Thus, "even if there was a method to remove hard inquiries more than a year old . . . there would be no effect on the consumer's FICO score." (*Id.*)

still on their credit reports when they believed they had already resolved their accounts or successfully disputed their debt); PX05 at 6 ¶ 33 (even after paying, consumer saw that debt still on credit report). 8 ¶ 44 (no credit score increase after 5 months), 8 ¶ 47 (after paying Defendants for nine months they "had done nothing that they promised, they did not raise his credit score"), 15-16 ¶¶ 89-90 (despite being charged from September through March, when consumer reviewed his credit report "nothing had seemed to change" and he later called and noted the company "keeps charging him but not doing anything for him"); PX07 at 10 ¶ 55 ("not only did Credit Joy not make any payments towards [consumer's] debts, but they also did not do anything to repair her credit"), 13 ¶ 71.)

Thus, Defendants' false representations violate Section 5 of the FTC Act as alleged in Count I of the Complaint; Section 404(a)(3) of CROA as alleged in Count IV; Section 404(a)(4) of CROA as alleged in Count VI; Section 310.3(a)(2)(iii) of the TSR as alleged in Count IX.a; and Section 521(a) of the GLB Act as alleged in Count XIV.

Further, some consumers have discovered that, unbeknownst to them, after enrolling with Defendants, Defendants filed identity theft reports in their name even though they were not victims of identity theft. (PX05 at 14 ¶ 80 (FTC investigator found identity theft report filed in consumer's name with comment "These inquiries are the result of identity fraud." When the investigator asked the consumer if she had filed the report, the consumer replied she did not and that the accounts in question were real accounts of hers so "it wouldn't make sense for her to dispute those inquiries"); PX08 at

63 ¶ 235 (FTC investigator found 93 instances where Defendants filed false identity theft reports).)[11] Defendants' filing of false identity theft reports violates Section 404(a)(1)(A) of CROA as alleged in Count V of the Complaint.

B. Defendants Collect Illegal Advance Fees

Section 404(b) of CROA prohibits credit repair organizations from "charging or receiving any money or other valuable consideration for the performance of any service which the credit repair organization has agreed to perform before such service is fully performed." 15 U.S.C. § 1679b(b). And Section 310.4(a)(2) of the TSR prohibits sellers and telemarketers from collecting advance fees for credit repair services until six months after providing consumers documentation that "the promised results have been achieved." 16 C.F.R. § 310.4(a)(2).

As stated above, Defendants require consumers to pay an up-front fee to enroll in the credit repair services. First, as discussed above, Defendants' telemarketers typically

[11] Neither does Defendants' filing of false identity theft reports necessarily result in removal of negative information or the improvement of consumers' credit scores. Although the FCRA requires CRAs to block information from being reported if a consumer submits an identity theft report and a statement indicating that the particular information on the consumer's credit report is a result of identity theft, 15 U.S.C. § 1681c-2(a), the FCRA also authorizes CRAs to decline to block information if the CRA reasonably determines that the identity theft report is based on a material misrepresentation of fact, for example if the consumer was not really a victim of identity theft. 15 U.S.C. § 1681c-2(c). (PX03 at 6 ¶¶ 21-23.) According to the CRAs, they generally review identity theft reports, looking for patterns indicating that the reports are likely false, in which case they can decline to block the requested negative information. (PX03 at 6-7 ¶¶ 24-25.)

state that they need to charge consumers $1, variously explained as verifying consumers' identities or pulling consumers' credit report to review it.

In addition to the $1 charge, Defendants require another up-front fee, typically several hundreds of dollars. (PX01 at 7-8 ¶ 28 (according to former employee, one-time fee was $378 but could be negotiated down); PX05 at 7 ¶ 41 ($378 fee), 11-12 ¶ 64 ($237 fee), 13 ¶ 75 ($578), 15 ¶ 84 ($1,110 in two separate payments), 17 ¶ 98 (charged $378 and $158); Att. A at 23, Att. B at 34, Att. C at 46, Att. F at 70; PX06 at 4 ¶ 16, Att. B at 13; PX07 at 14 ¶ 77, Att. A at 17-18, Att. B at 48 (page 113:12-14) ("To get everything started, they do have a one-time set up fee of $278.00, which they discounted $100.00 to $178.00).) Indeed, scripts instruct telemarketers, "Start with $378 price. Drop to $278. Drop to $199. If they say no to all of that, THEN you can do a partial," for example, "a payment plan that starts as low as $79." (PX01 Att. A at 71, 132; PX06 at 4 ¶ 18 (telemarketer told consumer he would "discount" the $278 fee down to $178).) Some scripts even offer "a military discount of $50 off." (PX01 Att. A at 132.)

In those instances where the telemarketers stated that consumers could pay Defendants to resolve their outstanding debt, the amount of the up-front fee typically approximates the amount of the debt, although often with a small discount. (PX05 at 5 ¶ 27 (consumer was charged the $178 she thought she was paying to discharge her debt), 10 ¶ 55 (consumer gave her debit card information for what she "thought was to pay off the $278 debt"); PX07 at 3 ¶ 10, 9 ¶ 48, 12 ¶ 67.) These payments do not go toward resolving the debts but remain in Defendants' coffers. (PX01 at 5 ¶ 17 (former employee stated, with respect to a consumer who was led to believe that paying Defendants $1,200 would resolve his debt, "none of the $1,200 payment was applied towards the debt, and the consumer still owed the entire amount. Instead, Credit Sage kept the entire $1,200 payment."); PX02 at 3 ¶ 9 (collections supervisor at a legitimate debt collection entity stated that her company never received a payment from Defendants, despite numerous consumers telling her they thought they were paying off their debt when they paid Defendants); PX07 at 10 ¶ 54 (despite being told payments were to settle consumer's debt, when the consumer checked her accounts several months later, she was "shocked to discover that Credit Joy had not made any payments at all toward any of her accounts"), 11 ¶ 58 (when consumer called Defendants several months later, "Credit Joy confirmed that none of her $99 payments were ever applied towards her debt"), 13 ¶ 71.)

Defendants also charge consumers two separate recurring monthly fees. First, they charge consumers a monthly maintenance fee, typically in the amount of $90 or $99. (PX01 at 7-8 ¶ 28, Att. A at 70, 102; PX05 at 3 ¶ 11, 5 ¶ 28, 7 ¶ 41, 9-10 ¶ 53, Att. B at 34, Att. B at 34, Att. C at 46, Att. D at 59; PX06 Att. B at 13; PX07 at 9 ¶ 48, 14 ¶ 77.) Second, consumers are charged a monthly fee by Defendant Standard Scores, typically in the amount of $24.99, to pay for a purported credit monitoring service. (PX01 at 7 ¶ 26, Att. A at 102; PX05 at 3 ¶ 12, 7 ¶ 41, 14 ¶ 77.) Telemarketers tell consumers the credit monitoring service is a necessary component of the credit repair service as it "keeps your client portal updated" and "if any additional items pop up on your credit report as we're disputing, we will be able to add those items automatically at no additional cost." (PX01

Att. A at 95, 102; *see also* PX05 at 7 ¶ 41 (telemarketer explained that monthly fee to Standard Scores allowed consumers to "view live reports and the dispute letters that they send to the credit bureaus"), 15 ¶ 87 (consumer told monthly fee necessary to "see the progress on his case"); PX07 Att. B at 64 (174:3-4) ("keeping your Standard Scores active is central for this process").) In some instances, the telemarketers state that Standard Scores is a third-party provider unrelated to Defendants and assure consumers that "Standard Scores is one of the leaders in the identity theft industry, their job is literally to prevent identity theft." (PX01 Att. A at 49, 51; PX06 at 2-3 ¶ 11.)

The telemarketers assure consumers that they will only need to pay these recurring fees for a few months, typically three, until the negative information is removed. (PX01 at 7-8 ¶ 28; PX05 at 9-10 ¶ 53 (after being told it would take 90 days to resolve her credit issues, the telemarketer stated that the cost would only be "$99 for each of those months"), 14 ¶ 77 (telemarketer stated that they would charge consumer $24.99 per month "for three months while they worked on her case").)

In numerous instances, however, Defendants' telemarketers do not disclose the existence of the recurring fees. Indeed, the former employee-whistleblower stated, "we were not supposed to tell consumers that the $99 fee was recurring" (PX01 at 7-8 ¶ 28), and that Defendants "did not want us to tell the customer about the recurring $24.99 per month fee." (*Id.* at 7 ¶ 27, Att. A at 54 ("The dollar is ONE time only"), 135 ("It is just $1, nothing more, nothing less"); PX06 at 3 ¶ 12 ("He did not tell me that there was a monthly recurring subscription fee associated with Standard Score"), 4 ¶ 21 (after reading contract, consumer discovered that "Credit Glory would charge me a recurring monthly fee, which directly contradicted what [the telemarketer] had told me"); PX07 Att. B at 48 (page 113) ($99 fee described as only necessary "should they do need to send another round of dispute letters"), 54 (page 136:17-20) (telemarketer reiterated that the extra $99 was only if a negative item "is stubborn, they'll need to do another round").) Indeed, even where the recurring $99 charge is disclosed, nowhere in Defendants' contracts is there any disclosure regarding the recurring $24.99 charge to Standard Scores. (PX05 Att. A at 23, Att. B at 34, Att. C at 46, Att. D at 59.)

And Defendants waste no time in charging consumers' credit or debit cards for the up-front fees, usually using the same financial information that was obtained for the earlier $1 charge. Consumers consistently report that these charges occurred almost immediately after the call ended (PX05 at 7-8 ¶ 43 (consumer's account charged almost immediately after he signed contract), 10 ¶ 56 (consumer charged next business day), 12 ¶ 65 (consumer charged right after conversation), 15 ¶ 85, Att. A at 27, Att. B at 38-39, Att. D at 63, Att. F at 68, 75, Att. G at 77-79, Att. H at 92; PX06 at 4 ¶ 20 (charged shortly after signing contract); PX07 at 3 ¶ 10, 10 ¶ 51, 14 ¶ 77, Att. A at 17-18), despite the express language in the written contracts that fees are not charged until after work is completed. (PX05 Att. A at 23 (customer agrees to pay "after work is completed"), Att. C at 46 (charges "only after work is complete"), Att. D at 59; PX06 Att. B.)

In addition, numerous consumers report that Defendants charge the monthly fee indefinitely (or at least until consumers cancel), even though Defendants' telemarketers state it would only be charged for about three months.

Thus, Defendants violate Section 404(b) of CROA as alleged in Count VII of the Complaint and Section 310.4(a)(2) of the TSR as alleged in Count X.

C. Defendants Engage in Unlawful Enrollment Practices

Defendants' unlawful enrollment practices fall into three categories: (1) unauthorized charges, (2) failure to provide required CROA disclosures, and (3) unlawful negative option marketing.

1. Defendants Unlawfully and Unfairly Charge Consumers' Accounts without Authorization

Acts or practices are unfair under Section 5 of the FTC Act if they cause or are likely to cause substantial injury to consumers that consumers cannot reasonably avoid themselves and that is not outweighed by countervailing benefits to consumers or competition. 15 U.S.C. § 45(n). Meanwhile, Section 310.4(a)(7) of the TSR prohibits sellers and telemarketers from causing billing information to be submitted for payment without the express informed consent of the consumer. 16 C.F.R. § 310.4(a)(7).

Finally, Section 907(a) of EFTA, 15 U.S.C. § 1693e(a), and Section 1005.10(b) of Regulation E, 16 C.F.R. § 1005.10(b), provide that preauthorized electronic fund transfers can only be authorized by the consumer in writing.[12] Section 1005.10(b) of the Official Staff Commentary to Regulation E provides that "[t]he authorization process should evidence the consumer's identity and assent to the authorization," 12 C.F.R. § 1005.10(b), Supp. I, cmt. 5, and that "[a]n authorization is valid if it is readily identifiable as such and the terms of the preauthorized transfer are clear and readily understandable." 12 C.F.R. § 1005.10(b), Supp. I, cmt. 6.

Here, as discussed above, Defendants charge unlawful advance fees, often without consumers' express informed consent. Many consumers report that even though they did not sign any contract or otherwise agree to purchase the credit repair services, Defendants charged or attempted to charge the upfront fee or one or both of the recurring fees. (PX05 at 5-6 ¶¶ 28, 31 (consumer told Defendants that she "did not want a subscription service" and the telemarketer said "he would cancel it and that she wouldn't be charged," nevertheless, Defendants charged $99 and $24.99), 12 ¶ 65 (consumer never signed an agreement and did not agree to any subscription yet discovered that Defendants had charged her $237 anyway), Att. B at 40-41.)

This practice meets Section 5(n)'s definition of unfair. First, Defendants' practice causes substantial injury to consumers. They charge consumers for credit repair services they did not agree to purchase, and many consumers are unable to obtain refunds. Second, consumers cannot reasonably avoid injury. Consumers provided their financial

[12] A "preauthorized electronic fund transfer" means an electronic fund transfer authorized in advance to recur at substantially regular intervals, 15 U.S.C. § 1693a(10), and would include, for example, recurring charges to a consumer's debit card.

information solely for the $1 charge which they were told was only to either verify their identity or pull their credit report to review for inaccuracies. Consumers who either did not expressly authorize use of this information to charge their accounts by signing the contract or who expressly declined Defendants' services could not reasonably foresee that Defendants would use that information to enroll and charge their accounts. Finally, Defendants' practices do not benefit consumers or competition. Neither benefit when consumers are charged for credit repair services they did not order. For these reasons, the practice is unfair.

Thus, Defendants violate Section 5 of FTC Act as alleged in Count III of the Complaint, Section 310.4(a)(7) of the TSR as alleged in Count XI, and Section 918(c) of EFTA and Section 1005.10(b) of Regulation E as alleged in Count XVII.

2. Defendants Fail to Provide CROA-Compliant Contracts

Section 406(a) of CROA prohibits credit repair organizations from providing any services to a consumer unless the credit repair organization has obtained a written and dated contract that has been signed by the consumer. 15 U.S.C. § 1679d(a). Among other things, Section 406(b) of CROA requires that such contracts include "a full and detailed description of the credit repair services to be performed by the credit repair organization for the consumer, including (a) all guarantees of performance, and (b) an estimate of (i) the date by which the performance of the services (to be performed by the credit repair organization or any other person) will be complete or (ii) the length of the period necessary to perform such services" and "a conspicuous statement in bold face type, in immediate proximity to the space reserved for the consumer's signature on the contract, which reads as follows: 'You may cancel this contract without penalty or obligation at any time before midnight of the 3rd business day after the date on which you signed the contract. See the attached notice of cancellation form for an explanation of this right.'" 15 U.S.C. § 1679d(b).

Here, Defendants' contracts do not contain "a full and detailed description of the services to be performed by the credit repair organization for the consumer" including estimates of the dates by which services will be performed and the length of time necessary. Instead, in many instances, the contracts include only vague, generic references to their services, such as "credit consulting," "dispute management," or "credit dispute management services" without explaining what any of those services entail or when they will occur. (PX05 Att. A at 23, Att. B at 34, Att. C at 46.) Even in those instances where some contracts include a little more detail about their services—such as "send[ing] dispute letters to each of the credit bureaus disputing inaccuracies on your credit history" and that those letters are "sent monthly" (PX05 Att. D at 59, Att. F at 70; PX06 Att. B at 13)—that detail does not rise to the level of "a full and detailed description." *See Parrott v. Gemini Direct, LLC*, 2024 U.S. Dist. LEXIS 26539, *9 (W.D. Ky. Feb. 15, 2024) (holding that contract that provided for recurring monthly payments violates CROA because "facially, it is unclear whether there is a 'total amount of all payments to be made' included in the Agreement, when one of the required payments could continue perpetually"); *Raines v. Enrich Fin.*, 2021 U.S. Dist. LEXIS

204165, *23-24 (C.D. Cal. Sep. 17, 2021) (holding that contract that only provides "a vague and general description of the monthly services provided, instead of the full and detailed description" violates CROA).

In addition, none of the contracts provided by consumers contained the conspicuous statement, in bold face type, and in immediate proximity to consumers' signature, that consumers can cancel without penalty within three days of signing.[13] (PX05 Att. A at 25, Att. B at 36, Att. C at 48, Att. D at 61, Att. F at 72; PX06 Att. B at 15.) Thus, Defendants violate Section 406(b) of CROA as alleged in Count VIII of the Complaint.

3. Defendants Engage in Unlawful Negative Option Marketing

Section 4 of ROSCA prohibits charging consumers for goods or services sold in transactions effected over the Internet through a negative option feature unless the seller (a) clearly and conspicuously discloses all materials terms of the transaction before obtaining the consumer's billing information, (b) obtains the consumer's express informed consent, and (c) provides simple mechanisms to stop the recurring charges. 15 U.S.C. § 8403. Meanwhile, Section 310.3(a)(1)(vii) of the TSR requires sellers and telemarketers to disclose truthfully, in a clear and conspicuous manner, all material terms

[13] Although some contracts contain, buried in the text, statements such as "You may cancel this agreement at any time with no additional obligations or charges" (PX05 Att. B at 34, Att. D at 59; PX06 Att. B at 13), neither is this provision in "bold face type" nor "in immediate proximity to the space reserved for the consumer's signature," thus the contracts "cannot be considered facially in compliance with [Section 406]." *Parrott*, 2024 U.S. Dist. LEXIS 26539, at *10-11.

of a negative option feature, including its existence, the dates charges will be submitted, and the specific steps consumers must take to avoid the charges. 16 C.F.R. § 310.3(a)(1)(vii). And Section 310.3(a)(2)(ix) of the TSR prohibits sellers and telemarketers from misrepresenting any of those aspects of a negative option feature. 16 C.F.R. § 310.3(a)(2)(ix). ROSCA and the TSR define "negative option feature" to mean a provision under which a consumer's "silence or failure to take an affirmative action to reject goods or services or to cancel the agreement is interpreted by the seller as acceptance." 16 C.F.R. § 310.2(w).

Here, Defendants' monthly fees involve negative option features, namely the recurring monthly charges that continue unless and until consumers cancel their agreements with Defendants. And because Defendants require consumers to sign the contract on Docusign, an Internet platform, their transactions are "effected over the Internet."

As discussed above, in numerous instances Defendants do not disclose the existence of recurring monthly fees. And even when they do disclose the recurring fees, Defendants' telemarketers typically represent that the charges will only be made until consumers' negative items have been removed and not continue indefinitely. Although some of Defendants' contracts mention the recurring $99 fee, others do not; and none discuss the recurring payments to Defendant Standard Scores. (PX05 Att. A at 23, Att. B at 34, Att. C at 46, Att. D at 59.) Regardless, none of these disclosures (when they do occur) are made *before* Defendants obtain consumers' billing information. In addition, as discussed above, in many instances Defendants charge consumers the recurring fees even when consumers expressly declined their services.

Further, as discussed above, Defendants do not disclose that consumers need to sign and return the "Notice of Cancellation" to stop the recurring charges. And even then, that would only stop the $99 charge. Nowhere in Defendants' contracts is there an explanation of how to stop the $24.99 charge to Standard Scores. (PX05 Att. A at 23-26, Att. B at 34-37, Att. C at 46-49, Att. D at 59-62.)

Thus, Defendants violate Section 4(1) of ROSCA as alleged in Count XV of the Complaint; Section 4(2) of ROSCA as alleged in Count XVI; Section 310.4(a)(1)(vii) of the TSR as alleged in Count XII; and Section 310.4(a)(2)(ix) of the TSR as alleged in Count XIII.

D. Defendants' Unlawful Credit Repair Scheme Has Bilked Almost Two Hundred Million Dollars from Consumers

Defendants have taken in net revenues of at least $199 million, of which at least $172.5 million was during the three-year period before the FTC commenced this action.[14] (PX08 at 65-66 ¶¶ 243, 244, Table 3, Table 4.)

[14] Not only do Defendants' unlawful practices harm consumers, but they also harm businesses. The collections supervisor at a legitimate debt collection entity noted that her company and its clients and employees have experienced financial losses because of Defendants' actions. (PX02 at 2-3 ¶ 13 (noting that, because consumers had paid Defendants, thinking it was the real debt collection company, "some consumers later reported they no longer had the funds available to resolve their accounts" or were "experiencing financial hardship after making payments" to Defendants), 3 ¶ 14 (because the real debt collection entity's collectors were compensated in part through commissions tied to collection activity, Defendants' actions "have also negatively impacted our collectors financially").)

In many instances, consumers who try to get refunds from Defendants are denied. (PX05 at 6 ¶ 34, 8 ¶ 47, 10 ¶¶ 57-58, 12 ¶ 67; PX06 at 4-5 ¶ 23, 6 ¶ 32 (despite being promised a refund, consumer never received it); PX07 at 11 ¶ 56 (Defendants refunded only about $500 of the approximately $2,200 that consumer paid), 14-15 ¶¶ 80-82 (Defendants refused to refund consumer's money even after he cancelled within cancellation window); PX07 Att. C at 72 (page 4:9-15) (consumer called Defendants' customer service to complain that "your company's supervisor—and her name is Jennifer—she spoke to me about a week ago and said she was doing a chargeback, refund, a chargeback, and I was on the phone with her"), 73 (page 6:19-21) (consumer continued, "I want my money back. That's why I'm calling. My bank said that you guys are not submitting the payment of $178.00").)

IV. A TEMPORARY RESTRAINING ORDER SHOULD ISSUE AGAINST DEFENDANTS

This Court should issue an *ex parte* TRO enjoining Defendants' illegal practices and imposing other relief. The Court has the authority to issue the *ex parte* TRO, the FTC meets the standard for preliminary injunctive relief, and the scope of the proposed relief, described below, is necessary and appropriate.

A. This Court Has Authority to Grant the Requested Relief

Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), authorizes the FTC to seek and the Court to grant temporary, preliminary, and permanent injunctions. The second proviso of Section 13(b), pursuant to which this action is brought, states that "in proper cases the Commission may seek, and after proper proof, the court may issue, a permanent injunction."[15] 15 U.S.C. § 53(b). The Ninth Circuit has recognized that any case alleging "violations of *any provisions of law enforced by the Commission*" constitutes a proper case for which the FTC may seek injunctive relief. *FTC v. Evans Prod. Co.*, 775 F.2d 1084, 1086 (9th Cir. 1985) (emphasis in original). Courts also have held that "issuance of a preliminary injunction is an ancillary remedy available to the FTC, to the extent it is needed while the FTC pursues a permanent injunction." *FTC v. Am. Vehicle Prot. Corp.*, 2022 WL 14638465, at *9 (S.D. Fla. Oct. 25, 2022); *see also FTC v. On Point Cap. Partners LLC*, 17 F.4th 1066, 1080 (11th Cir. 2021); *FTC v. Noland*, 2021 WL 4318466 at *5 (D. Ariz. Sept. 23, 2021). Meanwhile, Section 19(b) of the FTC Act, 15 U.S.C. § 57b(b), expressly authorizes courts to grant "such relief as the court finds necessary to redress injury to consumers" for violations of the TSR, Section 521 of the GLB Act,[16] and ROSCA, including "the refund of money or return of property." 15

[15] This action is not brought pursuant to the first proviso of Section 13(b), which addresses the circumstances under which the FTC can seek preliminary injunctive relief before or during the pendency of an administrative proceeding. Because the FTC brings this case pursuant to the second proviso of Section 13(b), its complaint is not subject to the procedural and notice requirements in the first proviso. *FTC v. Hoyal & Assocs., Inc.*, 859 F. App'x 117, 120 (9th Cir. 2021) ("We have long held that the FTC can obtain injunctive relief without initiating administrative proceedings." (citing *FTC v. H.N. Singer, Inc.*, 668 F.2d 1107, 1110 (9th Cir. 1982))).

[16] Section 522(a) of the GLB Act, 15 U.S.C. § 6822(a), empowers the FTC to enforce Section 521 of the GLB Act "in the same manner and with the same power and authority as the [FTC] has under the Fair Debt Collection Practices Act [FDCPA] . . . to enforce compliance with such Act." Pursuant to Section 814(a) of the FDCPA, 15 U.S.C. § 1692*l*(a), a violation of the FDCPA is deemed an unfair or deceptive act or practice in violation of the FTC Act. Section 814(a) of the FDCPA further provides that all of the functions and powers of the FTC under the FTC Act are available to the FTC to enforce compliance by any person with the FDCPA, including the powers to enforce the

U.S.C. § 57b(b). By enabling the courts to use their full range of equitable powers, Congress gave the courts authority to grant preliminary relief, including a temporary restraining order, preliminary injunction, and asset freeze. *FTC v. Affordable Media, LLC*, 179 F.3d 1228, 1232 & n.2 (9th Cir. 1999); *FTC v. U.S. Oil & Gas*, 748 F.2d 1431, 1434 (11th Cir. 1984) ("Congress did not limit the court's powers under the final proviso of §13(b) and as a result this Court's inherent equitable powers may be employed to issue a preliminary injunction, including a freeze of assets, during the pendency of an action for permanent injunctive relief").[17] The Court, therefore, can order the full range of equitable relief sought by the FTC and can do so on an *ex parte* basis.[18]

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provisions of the FDCPA in the same manner as if the violation had been a violation of an FTC trade regulation rule. *Id.*

[17] This remains true despite the Supreme Court's ruling in *AMG Capital Mgmt., LLC v. FTC*, 593 U.S. 67, 70 (2021) that the FTC may not seek equitable monetary relief under Section 13(b). *See FTC v. Elegant Sols., Inc.*, 2022 WL 2072735, at *2 (9th Cir. June 9, 2022) ("[A]lthough *AMG* held that monetary relief is not available under section 13(b) of the FTC Act, . . . section 19 of the Act separately and specifically authorizes the FTC to seek monetary relief to address violations of certain rules, including the TSR, 15 U.S.C. § 57b(a)(1), (b)."). Indeed, numerous courts have granted asset freezes post-*AMG Capital Mgmt*. *See, e.g., FTC v. NERD Sols. Inc.*, 2026 U.S. Dist. LEXIS 101300, *1 (C.D. Cal. Apr. 27, 2026); *FTC v. Panda Ben. Servs., LLC*, 2025 U.S. Dist. LEXIS 94845, at *1 (C.D. Cal. May 14, 2025); *FTC v. Automators LLC*, 2023 U.S. Dist. LEXIS 150791, at *2 (S.D. Cal. Aug. 25, 2023); *FTC v. BCO Consulting Servs., Inc.*, 2023 U.S. Dist. LEXIS 114437, at *2 (C.D. Cal. May 22, 2023); *FTC v. Fin. Educ. Servs., Inc.*, 2022 U.S Dist. LEXIS 240887 (E.D. Mich. May 24, 2022); *see also* Decl. FTC Counsel at 12-14. ¶¶ 14-15 and cases cited therein.

[18] Numerous courts in this district and throughout the Ninth Circuit have granted similar preliminary relief. (*See* Decl. FTC Counsel at 12-14 ¶¶ 14-15 and cases cited therein.)

B. The FTC Meets the Standard for Preliminary Injunctive Relief

In determining whether to grant a preliminary injunction under Section 13(b), including a temporary restraining order, a district court must weigh: (1) the likelihood of success on the merits, (2) irreparable injury, (3) whether the injunction would cause substantial harm to others (balance of equities), and (4) the public interest. *Boardman v. Pac. Seafood Grp.*, 822 F.3d 1011, 1020 (9th Cir. 2016); *see also Starbucks Corp. v. McKinney*, 602 U.S. 339 (2024). Here, the FTC meets all four factors.[19]

1. The FTC Is Likely to Succeed on the Merits

To demonstrate likelihood of success on the merits, the FTC must make a "prima facie showing of illegality," *FTC v. GTP Mktg., Inc.*, 1990 WL 54788, at *4 (N.D. Tex. Mar. 15, 1990), and "the district court need only . . . find some chance of probable success on the merits" to grant an injunction. *United States v. Odessa Union Warehouse Co-op*, 833 F.2d 172, 176 (9th Cir. 1987); *accord FTC v. City West Advantage, Inc.*, 2008 WL 2844696, at *2 (D. Nev. Jul. 22, 2008). Moreover, in considering an application for a TRO or preliminary injunction, "courts are permitted to consider hearsay and otherwise inadmissible evidence." *Flynt Distrib. Co., Inc. v. Harvey*, 734 F.2d 1389, 1394 (9th Cir. 1984) (stating that courts may give inadmissible evidence some weight when doing so "serves the purpose of preventing irreparable harm before trial");

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[19] Many courts in the Ninth Circuit relax the four-part standard in FTC cases requiring only a showing of likelihood of success on the merits and a balance of the equities. *See, e.g., Affordable Media*, 179 F.3d at 1233; *FTC v. Consumer Def., LLC*, 926 F.3d 1208, 1212 (9th Cir. 2019).

see also Heideman v. S. Salt Lake City, 348 F.3d 1182, 1188 (10th Cir. 2003) ("The Federal Rules of Evidence do not apply to preliminary injunction hearings."); *Mullins v. City of New York*, 626 F.3d 47, 52 (2d Cir. 2010).

As discussed in Section III above, the FTC has presented ample evidence showing that the FTC is likely to succeed on the merits of its claims that Defendants violated Section 5 of the FTC Act, CROA, the TSR, Section 521 of the GLB Act, ROSCA, EFTA, and Regulation E.

2. Irreparable Harm Exists

Where, as here, Defendants are charged with violating multiple federal statutes, there is a "presumption of irreparable harm based on a statutory violation." *City of New York v. Golden Feather Smoke Shop, Inc.*, 597 F.3d 115, 120 (2d Cir. 2010); *Consumer Def.*, 926 F.3d at 1212; *Kemp v. Peterson*, 940 F.2d 110, 113 (4th Cir. 1991). The passage of the FTC Act, GLB Act, and the Telemarketing Act are "in a sense, an implied finding that violations will harm the public and ought, if necessary, be restrained." *United States v. Diapulse Corp of Am.*, 457 F.2d 25, 28 (2d Cir. 1972) (citing *United States v. City and County of San Francisco*, 310 U.S. 16 (1940)). Even without this presumption, as described in detail in Section III above, vulnerable consumers will continue to be injured by Defendants' unlawful practices by paying advance fees for nonexistent credit repair services. Without the requested relief, the public will suffer irreparable harm from the continuation of Defendants' scheme. And as discussed in more detail in Section V.B below, "[d]issipation of assets can create a likelihood of irreparable harm." *Goldwater Bank, N.A. v. Elizarov*, 2023 U.S. App. LEXIS 1877, at *4 (9th Cir. Jan. 25, 2023); *McGirr v. Rehme,* 891 F.3d 603, 613-14 (6th Cir. 2018) ("concealment and dissipation of assets likely obtained through fraud constitutes irreparable harm for the purposes of issuing a preliminary injunction.") (internal quotes omitted).

3. The Equities Weigh in Favor of Granting Injunctive Relief

The public interest in halting Defendants' unlawful conduct outweighs any interest Defendants may have in continuing to unlawfully market their services. *FTC v. World Wide Factors*, 882 F.2d 344, 347 (9th Cir. 1989). In balancing the equities between the public and private interest, "public equities receive far greater weight." *FTC v. Warner Commc'ns, Inc.*, 742 F.2d 1156, 1165 (9th Cir. 1984). And because Defendants "can have no vested interest in [a] business activity found to be illegal," *Diapulse Corp. of Am.*, 457 F.2d at 29 (internal quotations and citation omitted), a balance of equities tips definitively toward granting the requested relief. *CFTC v. British Am. Commodity Options Corp.*, 560 F.2d 135, 143 (2d Cir. 1977) ("A court of equity is under no duty 'to protect illegitimate profits or advance business which is conducted (illegally).'") (citing *FTC v. Thomsen-King & Co.*, 109 F.2d 516, 519 (7th Cir. 1940)).

The evidence demonstrates that the public equities—protection of consumers from Defendants' unlawful credit repair scheme, effective enforcement of the law, and the preservation of assets—weigh in favor of granting the requested injunctive relief. In contrast, "there is no oppressive hardship to Defendants in requiring them to comply with the FTC Act, refrain from fraudulent representation or preserve their assets from dissipation or concealment." *World Wide Factors*, 882 F.2d at 347. Because the injunction will preclude only harmful, illegal behavior, the public equities supporting the proposed injunctive relief outweigh any burden imposed by such relief on Defendants. *See, e.g.*, *Nat'l Soc'y of Prof'l Eng'rs v. United States*, 435 U.S. 679, 697 (1978).

4. The Public Interest Weighs in Favor of Injunctive Relief

"The public interest in ensuring the enforcement of federal consumer protection laws is strong." *FTC v. Mallett*, 818 F. Supp. 2d 142, 149 (D.D.C. 2011); *FTC v. Campbell Cap. LLC*, 2018 U.S. Dist. LEXIS 186728, at *7 (W.D.N.Y. Oct. 24, 2018) (finding "compelling public interest" in halting unlawful practices); *FTC v. Absolute Fin. Servs.*, 2020 U.S. Dist. LEXIS 260869, at *7 (D.S.C. Jul. 17, 2020); *FTC et al. v. Educare Centre Servs., Inc.*, 2020 U.S. Dist. LEXIS 135341, at *15 (W.D. Tex. Apr. 3, 2020); *FTC v. Simple Health Plans, LLC*, 379 F. Supp. 3d 1346, 1364 (S.D. Fla. 2019). In addition, the public interest in halting Defendants' unlawful conduct, preserving evidence, and preserving assets to provide redress to consumers far outweighs any interest Defendants may have in continuing to operate their fraudulent business. Moreover, where, as here, a defendant's conduct "reflects systematic wrongdoing rather than a mere incidental violation, it presents strong grounds for the issuance of a preliminary injunction." *SEC v. Prater*, 289 F. Supp. 2d 39, 54 (D. Conn. 2003).

C. Defendants Are a Common Enterprise and Jointly and Severally Liable for the Law Violations

Where corporate entities operate together and act as a common enterprise, each may be held liable for the deceptive acts and practices of the others. *FTC v. Network*

Servs. Depot, Inc., 617 F.3d 1127, 1143 (9th Cir. 2010); *FTC v. Grant Connect, LLC*, 763 F.3d 1094, 1105 (9th Cir. 2014); *Elegant Sols.*, 2020 WL 4390381, at *11; *OMICS Grp.*, 374 F. Supp. 3d at 1012-13; *FTC v. AMG Servs.*, 2017 U.S. Dist. LEXIS 66689, *26 (D. Nev. May 1, 2017); *FTC v. John Beck Amazing Profits, LLC*, 865 F. Supp. 2d 1052, 1082 (C.D. Cal. 2012); *FTC v. J.K. Publ'ns, Inc.*, 99 F. Supp. 2d 1176, 1202 (C.D. Cal. 2000); *FTC v. Think Achievement Corp.*, 144 F. Supp. 2d 993, 1011 (N.D. Ind. 2000), *aff'd* 312 F.3d 259 (7th Cir. 2002); *see also Liu v. SEC*, 591 U.S. 71, 90 (2020) (common law allows joint liability "for partners engaged in concerted wrongdoing"). Where the same individuals transact business through a "maze of interrelated companies," the whole enterprise may be held liable as a joint enterprise. *John Beck Amazing Profits*, 865 F. Supp. 2d at 1082 (quoting *Think Achievement*, 144 F. Supp. 2d at 1011). When determining whether a common enterprise exists, courts consider "common control; the sharing of office spaces and officers; whether business is transacted through a maze of interrelated companies; the commingling of corporate funds and failure to maintain separation of companies; unified advertising; and evidence that reveals that no real distinction exists between the corporate defendants." *Grant Connect*, 827 F. Supp. 2d at 1216; *AMG Servs.*, 2017 U.S. Dist. LEXIS 66689, at *26; *J.K. Publ'ns.*, 99 F. Supp. 2d at 1202. Of these factors, "no one factor is controlling." *FTC v. Consumer Health Benefits Ass'n*, 2011 U.S. Dist. LEXIS 92389, at *16 (E.D.N.Y. Aug. 18, 2011). Rather, "the pattern and frame-work of the whole enterprise must be taken into consideration." *Del. Watch Co. v. FTC*, 332 F.2d 745, 746 (2d Cir. 1964).

As discussed in Section II.B above, Defendants form a classic common enterprise, the touchstone of which is operating through a "maze of interrelated companies" operated by the Individual Defendants: the Corporate Defendants share addresses, ownership, and employees; use identical or similar representations to lure consumers and nearly identical customer agreements; and routinely transfer funds to the Individual Defendants. Accordingly, each Defendant can be held liable for the actions of the whole.

D. The Individual Defendants Are Liable for Injunctive and Monetary Relief

As the controlling forces behind Defendants' scheme, the Individual Defendants are liable for the law violations committed by the Corporate Defendants. To establish individual liability for injunctive relief based on corporate violations of the FTC Act, the FTC must show that the individual participated directly in the violative acts or practices or had authority to control the corporate actors. *Network Servs. Depot*, 617 F.3d at 1138 n.9 (citing *Publ'g Clearing House*, 104 F.3d at 1170). In general, an individual's status as an officer, or as someone with the authority to sign documents on the corporation's behalf, gives rise to a presumption of authority to control a small closely held corporation. *Publ'g Clearing House*, 104 F.3d at 1170-71; *see also FTC v. Amy Travel Servs., Inc.*, 875 F.2d 564, 573 (7th Cir. 1989), *overruled on other grounds by FTC v. Credit Bureau Ctr., LLC*, 937 F.3d 764, 767 (7th Cir. 2019). Bank signatory authority or acquiring services on behalf of a corporation also evidences authority to control. *See FTC v. USA Fin., LLC*, 415 F. App'x 970, 974-75 (11th Cir. 2011). "Individual liability for injunctive relief under the Act has no mental state requirement." *Network Servs. Depot*, 617 F.3d at 1138 n.9.

An individual is further liable for monetary relief for corporate practices if the individual had, or should have had, knowledge or awareness of the corporate defendant's misrepresentations. *Elegant Sols.*, 2022 WL 2072735, at *2; *Network Servs. Depot*, 617 F.3d at 1138-39; *FTC v. Noland*, 2021 WL 4127292, at *29 n.17 (D. Ariz. Sept. 9, 2021) (holding that this test applies to rules like the TSR "because violations of those rules are themselves unfair or deceptive acts or practices under § 5(a) by operation of 15 U.S.C. § 57a(d)(3)"). This knowledge element, however, need not rise to the level of subjective intent to defraud consumers. *Affordable Media*, 179 F.3d at 1234; *Amy Travel Servs.*, 875 F.2d at 574. Instead, the FTC need only demonstrate that the individual had actual knowledge of material misrepresentations, reckless indifference to the truth or falsity of such representations, or an awareness of a high probability of fraud coupled with an intentional avoidance of the truth. *FTC v. Com. Planet*, 815 F.3d 593, 600 (9th Cir. 2016); *Network Servs. Depot*, 617 F.3d at 1138-39; *Stefanchik*, 559 F.3d at 931. "The extent of an individual's involvement in a fraudulent scheme alone is sufficient to establish the requisite knowledge for personal restitutionary liability." *Affordable Media*, 179 F.3d at 1235 (control over corporate defendant "establishe[d] strong evidence of [individual defendants'] knowledge"); *Amy Travel Servs.*, 875 F.2d at 574 ("[T]he degree of participation in business affairs is probative of knowledge."). When a common enterprise is present, an individual's liability for monetary relief is joint and several with all entities participating in the enterprise. *See FTC v. Nat'l Urological Grp., Inc.*, 645 F. Supp. 2d 1167, 1213-14 (N.D. Ga. 2008), *aff'd*, 356 Fed. Appx. 358 (11th Cir. 2009).

Here, as discussed in Section II.B above, the Individual Defendants have authority to control, and knowledge of, Defendants' wrongful acts. They are the principal, and often sole, officers of the Corporate Defendants; have signatory authority over the Corporate Defendants' financial accounts; and are the points of contact for Defendants' service providers. Accordingly, the Individual Defendants are liable for injunctive and monetary relief.

V. THE SCOPE OF THE PROPOSED *EX PARTE* TRO IS NECESSARY AND APPROPRIATE

The FTC requests that the Court grant a TRO that includes conduct relief, asset preservation, a temporary receiver, immediate access to business locations, and limited access by the receiver to personal residences. Courts in this district and throughout the Ninth Circuit have routinely granted this relief in similar cases. (*See* Decl. FTC Counsel at 11-13 ¶¶ 11-12 and cases cited therein.) The evidence shows that the FTC is likely to succeed in proving that Defendants have been engaging in deceptive and unfair practices in violation of the FTC Act, CROA, the TSR, the GLB Act, ROSCA, EFTA, and Regulation E, and that the balance of the equities strongly favors the public. Preliminary injunctive relief, including a temporary restraining order, is thus justified.

A. Conduct Relief Is Necessary to Stop Ongoing Consumer Harm

To prevent ongoing consumer injury, the proposed TRO prohibits Defendants from making deceptive credit repair representations and collecting unlawful advance fees. These measures simply require Defendants to comply with the law and are squarely within the Court's injunctive authority under Section 13(b) of the FTC Act.

B. Asset Preservation Is Necessary to Preserve the Possibility of Final Relief

An asset freeze is appropriate once the Court determines that the FTC is likely to prevail on the merits of a Section 19 claim and the refund of money would be an appropriate final remedy. *See Noland*, 2021 WL 4318466, at *5; *see also World Travel Vacation Brokers*, 861 F.2d at 1031 (when a district court determines that the FTC is likely to prevail in a final determination on the merits, it has "a duty to ensure that . . . assets . . . [are] available to make restitution to the injured customers"). "A party seeking an asset freeze must show a likelihood of dissipation of the claimed assets, or other inability to recover monetary damages, if relief is not granted." *Johnson v. Couturier*, 572 F.3d 1067, 1085 (9th Cir. 2009); *see also Affordable Media*, 179 F.3d at 1236-37. Courts have found a strong likelihood that a defendant's assets will be dissipated during the pendency of a case where the business is permeated by fraud. *Int'l Controls Corp. v. Vesco*, 490 F.2d 1334, 1347 (2d Cir. 1974); *SEC v. Manor Nursing Ctr., Inc.*, 458 F.2d 1082, 1106 (2d Cir. 1972); *see also H.N. Singer, Inc.*, 668 F.2d at 1113; *FTC v. Willms*, 2011 WL 4103542, at *11 (W.D. Wash. Sept. 13, 2011); *FTC v. Int'l Comput. Concepts, Inc.*, 1994 WL 730144, at *16-17 (N.D. Ohio Oct. 24, 1994). As the Ninth Circuit has observed in upholding an asset freeze, an individual who has "impermissibly awarded himself" funds that are not rightfully his "is presumably more than capable of placing assets in his personal possession beyond the reach of a judgment." *Johnson*, 572 F.3d at 1085.

Further, this Court has the authority to direct third parties to effectuate the purpose of the TRO. *See, e.g.*, *Deckert v. Indep. Shares Corp.*, 311 U.S. 282, 290 (1940) (courts have authority to direct third parties to preserve assets); *Gucci Am., Inc. v. Weixing Li*, 768 F.3d 122, 130-33 (2d Cir. 2014) (courts have equitable power to impose asset freeze and accounting where plaintiff is pursuing a claim for equitable relief). Further, the Court can order Defendants' assets to be frozen whether the assets are inside or outside the United States. *See United States v. First Nat'l City Bank*, 379 U.S. 378, 384 (1965) ("Once personal jurisdiction of a party is obtained, the District Court has authority to order it to 'freeze' property under its control, whether the property be within or without the United States.").

Without an asset freeze, the dissipation of assets is likely. Defendants who have engaged in illegal activities are likely to dissipate assets prior to resolution of the action. *See Williamson v. Recovery Ltd. P'ship*, 731 F.3d 608, 628 (6th Cir. 2013) (asset freeze injunction appropriate where defendant's "questionable financial transactions" foreshadowed a fraudulent dissipation of assets). Moreover, the risk is heightened where, as here, "[t]he scope of the monetary liability for Defendants' unlawful conduct is enormous and provides considerable motivation for defendants to place their assets beyond the Court's reach." *FTC v. USA Beverages, Inc.*, 2005 U.S. Dist. LEXIS 39075, at *24-25 (S.D. Fla. Dec. 5, 2005). Indeed, in the FTC's experience, defendants engaged in similar unlawful practices secreted assets upon learning of an impending law enforcement action. (*See* Decl. FTC Counsel at 5-10 ¶ 12.)

As discussed in Section III above, Defendants' credit repair scheme is wholly premised on collecting illegal advance fees from consumers for services they fail to deliver. And Defendants deceptively impersonate legitimate debt collection entities and creditors. Defendants' bank records show that during the three years before the FTC filed its Complaint, Defendants collected over $172 million from consumers.

On top of paying themselves generous salaries, bank records show a constant stream of money going from the Corporate Defendants' depository accounts to the Individual Defendants, particularly Defendant Brola who has taken over $55 million (PX08 at 67-68 ¶ 247), Defendant Emery who has taken over $3.4 million (*id.* at 68 ¶ 249), Defendant Petkovic who has taken over $1.7 million in funds (*id.* at 68 ¶ 248), Defendant Naylor who has taken over $980,000 in funds (*id.* at 69 ¶ 251), and Defendnat Curtis who has received over $173,000 in funds. (*Id.* at 68 ¶ 250.) Many of these transfers were to offshore accounts. (*Id.* at 67-68 ¶ 247 (transfer to Brola accounts in Switzerland and the Isle of Jersey), 68 ¶ 248 (transfer to Petkovic accounts in Serbia and the Republic of Georgia).) Bank records further show additional streams of money going to other financial accounts located outside the United States, including accounts in Serbia, Dubai, and the Philippines. (*Id.* at 69 ¶ 252.) Therefore, an asset freeze over individual and corporate assets is required to preserve the funds derived from

Defendants' unlawful activities so that the Court can retain its ability to fashion meaningful final relief.[20]

C. A Receiver Is Necessary to Prevent Further Consumer Harm and Locate and Preserve Business Assets and Records

The appointment of a receiver is a sound equitable remedy in cases involving deception. *In the Matter of McGaughey*, 24 F.3d 904, 907 (7th Cir. 1997). This Court has the authority to appoint a receiver when, as here, the FTC has established that it is likely to succeed on a Section 19 claim for monetary relief, and the receiver is necessary to preserve funds for future monetary judgment. *Simple Health Plans*, 58 F.4th at 1329-30; *Noland*, 2021 WL 4318466, at *5. It also has authority to appoint a receiver if, as is the case here, "the purpose of the receivership is to prevent the same sort of ongoing harm that the ultimate object of the § 13(b) litigation—the issuance of a permanent injunction—is intended to achieve." *Noland*, 2021 WL 4318466, at *4. A receiver is necessary when a corporate defendant has defrauded the public. *SEC v. First Fin. Grp. of Texas*, 645 F.2d 429, 438 (5th Cir. 1981) ("[I]t is hardly conceivable that the trial court should have permitted those who were enjoined from fraudulent misconduct to continue

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[20] The FTC also requests that the Court order Defendants to complete and return to the FTC financial statements on the forms attached to the proposed TRO. Financial statements, combined with an asset freeze, will increase the likelihood of preserving existing assets pending final determination of this matter. *See, e.g.*, *FTC v. D Squared Sols., LLC*, 2003 WL 22881377, at *4 (D. Md. Oct. 30, 2003) (ordering immediate accounting of assets); *FTC v. Stout*, 1999 WL 34833240, at *3 (D.N.J. Dec. 8, 1999); *see also SEC v. Bankers All. Corp.*, 881 F. Supp. 673, 676 (D.D.C. 1995); *SEC v. Parkersburg Wireless LLC*, 156 F.R.D. 529, 532 n.3 (D.D.C. 1994).

in control of (the corporate defendant's) affairs. . . ." (quoting *SEC v. Keller Corp.*, 323 F.2d 397, 403 (7th Cir. 1963)).

If Defendants are allowed to remain in control of their business, they are likely to destroy evidence and dissipate the fruits of their fraud. *See SEC v. R. J. Allen & Assoc., Inc.*, 386 F. Supp. 866, 878 (S.D. Fla. 1974) ("[T]he appointment of a receiver is necessary to prevent diversion or waste of assets to the detriment of those for whose benefit, in some measure, the injunction action is brought."). (*See also* Decl. FTC Counsel at 10-12 ¶ 13.) A neutral receiver would prevent further harm to consumers and would locate and secure assets and records without disrupting any legitimate business activity. A receiver would also help assess the extent of the fraud, trace its proceeds, prepare an accounting, and make an independent report of Defendants' activities to the Court. As discussed more fully in the concurrently filed FTC's Recommendation for a Receiver, the FTC respectfully requests that the Court appoint Thomas McNamara as receiver in this case due to his extensive experience not only with consumer protection frauds such as this but also with frauds that operate remotely (including with international operations) and that are run from individual defendants' residences.

D. Immediate Access and Limited Expedited Discovery Are Appropriate

To facilitate the FTC's and the receiver's efforts to locate documents and assets related to Defendants' unlawful activities, the FTC seeks leave of Court for limited discovery to locate and identify documents and assets and to allow the FTC and the receiver immediate access to Defendants' business premises. District courts are authorized to depart from normal discovery procedures and fashion discovery to meet discovery needs in particular cases. Federal Rules of Civil Procedure 26(d), 30(a)(2), 33(a), and 34(b) authorize the Court to alter the standard provisions, including applicable time frames, that govern depositions and production of documents. This type of discovery order reflects the Court's broad and flexible authority in equity to grant preliminary relief in a case involving the public interest. *See Porter v. Warner Holding*, 328 U.S. 395, 398 (1946); *FSLIC v. Dixon*, 835 F.3d 554, 562 (5th Cir. 1987); *Fed. Express Corp. v. Fed. Espresso, Inc.*, 1997 U.S. Dist. LEXIS 19144, at *6 (N.D.N.Y. Nov. 24, 1997) (early discovery "will be appropriate in some cases, such as those involving requests for a preliminary injunction") (quoting commentary to Fed. R. Civ. P. 26(d)).

Here, it appears that much of Defendants' operations is conducted remotely and that the Individual Defendants control the scheme from their personal residences. As discussed in Section II.B above, an examination of IP information indicates that Defendants Brola, Naylor, and Curtis log in to Defendants' financial and other accounts regularly from their residences, and they also list their personal residences as the office address for many of the Corporate Defendants. Accordingly, in addition to formal business premises, the proposed TRO would allow the Court-appointed receiver immediate access to the Individual Defendants' personal residences for the limited purpose of inventorying and removing assets and documents of the Corporate Defendants and making forensic images of any computer, mobile phone, or other mobile device that the Individual Defendants use to conduct business. Such relief has been granted in other FTC cases. *See FTC v. Accelerated Debt Settlement Inc.,* Case No. 2:25-cv-02443-SMB (D. Ariz. Jul. 14, 2025) (ECF No. 21); *FTC et al. v. Treashonna Graham*, Case No. 3:22-cv-00655-MMH-JBT (M.D. Fla. Jun. 21, 2022) (ECF No. 19); *FTC v. Ecological Fox, LLC*, Case No. 1:18-cv-03309-PJM (D. Md. Nov. 5, 2018) (ECF No. 13); *FTC v. Kutzner*, Case No. 8:16-cv-00999-DOC-AFM (C.D. Cal. Oct. 19, 2016) (ECF No. 130).

E. The TRO Should Be Issued Without Notice to Defendants to Preserve the Court's Ability to Fashion Meaningful Relief

The substantial risk of asset dissipation and document destruction in this case, coupled with Defendants' ongoing and deliberate statutory violations, justifies non-noticed relief. Federal Rule of Civil Procedure 65(b) permits this Court to grant a TRO without notice if it appears notice will result in "irreparable injury, loss, or damage" and the applicant certifies the reason why. Fed. R. Civ. P. 65(b); LRCiv 65.1. Issuing the *ex parte* TRO without notice in this case is indispensable to preserving the status quo, including securing assets needed to provide full and effective relief pending a hearing on the preliminary injunction. *Ex parte* orders are proper in cases "where such notice would render fruitless the further prosecution of the action." *First Tech. Safety Sys., Inc. v. Depinet*, 11 F.3d 641, 650 (6th Cir. 1993); *In re Vuitton et Fils*, 606 F.2d at 4-5; *see also AT&T Broadband v. Tech Commc'ns.*, 381 F.3d 1309, 1319 (11th Cir. 2004); *Cenergy Corp. v. Bryson Oil & Gas P.L.C.*, 657 F. Supp. 867, 870 (D. Nev. 1987) (noting that given the pervasive deception in the case, "it [is] proper to enter the TRO without notice, for giving notice itself may defeat the very purpose for the TRO").

As discussed above, Defendants' business operations are permeated by unlawful practices. Moreover, as detailed by the FTC's investigator (who is a Certified Fraud Examiner (PX08 at 1 ¶ 3)), Defendants carry out their operations to avoid law enforcement scrutiny, including by using multiple names and addresses, many of which have no physical connection, entities fronted by straw persons, and multiple concurrent and consecutive merchant processing accounts. (*Id.* at 72-74 ¶¶ 262-69.) Further, the FTC's experience shows that defendants engaged in fraudulent schemes similar to Defendants often withdraw funds from bank accounts and move or shred documents upon learning of impending legal action. (*See* Decl. FTC Counsel at 5-12 ¶¶ 12-13 (citing numerous instances where FTC defendants have dissipated assets or destroyed evidence when given notice of the FTC action).) Defendants' conduct—including transferring tens of millions of dollars to the Individual Defendants' accounts and sending large sums overseas—and the nature of Defendants' illegal scheme makes it highly likely that Defendants would conceal or dissipate assets absent non-noticed relief. Courts therefore have regularly granted the FTC *ex parte* relief in similar cases.[21] (*See* Decl. FTC Counsel at 12-14 ¶¶ 14-15 and cases cited therein.) Non-noticed TROs are granted to serve the "underlying purpose of preserving the status quo and preventing irreparable harm just so

[21] Indeed, Congress has looked favorably on the availability of *ex parte* relief under the FTC Act: "Section 13 of the FTC Act authorizes the FTC to file suit to enjoin any violation of the FTC [Act]. The FTC can go into court *ex parte* to obtain an order freezing assets, and is also able to obtain consumer redress." S. Rep. No. 130, 103rd Cong., 2d Sess. 15-16, *reprinted in* 1994 U.S. Code Cong. & Admin. News 1776, 1790-91.

long as is necessary to hold a hearing, and no longer." *Reno Air Racing Ass'n, Inc. v. McCord*, 452 F.3d 1126, 1131 (9th Cir. 2006) (quoting *Granny Goose Foods, Inc. v. Teamsters*, 415 U.S. 423, 438-39 (1974)).

VI. CONCLUSION

The FTC asks the Court to halt the unlawful practices of a credit repair scheme that has defrauded consumers of almost $200 million. Defendants prey on consumers seeking to rehabilitate their credit or resolve outstanding debts by deceptively impersonating legitimate businesses; making false promises as to the efficacy of their credit repair services; and charging consumers unlawful fees. The FTC has already marshaled evidence demonstrating that it will likely succeed on the merits at trial. Immediate relief is necessary to prevent continued harm to the public and preserve assets to ensure effective relief. For the foregoing reasons, the FTC requests that the Court enter the proposed TRO.

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Respectfully submitted,

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