

NOTE: CHANGES MADE BY THE COURT

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

Federal Trade Commission,

Plaintiff,

v.

Federal Loan Modification

Law Center, LLP, et al.

Defendants,

and

MGO Capital

Relief Defendant.

Case No. SACV09-401 CJC (MLGx)

**(PROPOSED) DEFAULT  
JUDGEMENT AND ORDER  
AS TO DEFENDANTS FEDERAL  
LOAN MODIFICATIONS, LEGAL  
TURN, INC., FEDERAL LOAN  
MODIFICATION, LLC, SBSC  
CORPORATION,  
LEGAL TURN, LLC AND RELIEF  
DEFENDANT MGO CAPITAL**

Judge: Hon. Cormac J. Carney

Plaintiff Federal Trade Commission (“FTC”) commenced this civil action on April 3, 2009, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), to obtain preliminary and permanent injunctive and other equitable relief for Defendants’

1 violations of Section 5 of the FTC Act, 15 U.S.C. § 45, in connection with the  
2 marketing and sale of mortgage loan modification and foreclosure relief services.  
3 The FTC subsequently filed a First Amended Complaint on June 24, 2009, naming  
4 Defendants Federal Loan Modifications, SBSC Corporation, and Venture Legal  
5 Support, PLC and Relief Defendants Legal Turn, LLC and MGO Capital, and a  
6 Second Amended Complaint on October 1, 2010, naming LegalTurn, LLC as a  
7 Defendant, and removing that company as a Relief Defendant. The Court entered a  
8 Preliminary Injunction Order (“PI Order”) in this case enjoining Defendants from,  
9 among other things, collecting advance fees from consumers, from making certain  
10 representations about their services, and from disposing of assets outside the  
11 ordinary course of business. On September 14, 2009, the Court entered default  
12 against Defendants LegalTurn, Inc., Federal Loan Modification, LLC, SBSC  
13 Corporation, and Relief Defendant MGO Capital for their failure to defend. The  
14 Court subsequently entered default against Defendant Federal Loan Modifications on  
15 September 7, 2010, and against Defendant Legal Turn, LLC on November 15, 2010.

16 The FTC has moved for default judgment on all counts of the Second  
17 Amended Complaint against Defendants LegalTurn, Inc., Federal Loan  
18 Modification, LLC, SBSC Corporation, Federal Loan Modifications, Legal Turn,  
19 LLC, and Relief Defendant MGO Capital pursuant to Rule 56(c) of the Federal Rules  
20 of Civil Procedure. The FTC’s Motion for Default Judgment against Defendants is  
21 **GRANTED**, and **IT IS FURTHER ORDERED** as follows:

## 22 FINDINGS

23 After consideration of the FTCs Motion for Default Judgment, the Court finds:

24 1. This is an action by the FTC brought pursuant to Sections 5 and 13(b)  
25 of the FTC Act, 15 U.S.C. §§ 45 and 57(b). The Second Amended Complaint seeks  
26 both permanent injunctive relief and consumer redress for the Defendants’ alleged  
27 deceptive acts or practices in connection with the marketing and sale of mortgage  
28 loan modification and foreclosure relief services.

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1 commingle or have commingled funds, and have participated in a common scheme to  
2 deceive consumers. Because Defendants have operated as a common enterprise,  
3 each of them is jointly and severally liable for the acts and practices alleged in the  
4 FTC's Second Amended Complaint.

5 8. Relief Defendant MGO Capital has received funds and other property  
6 that were derived unlawfully from payments by consumers as a consequence of the  
7 acts and practices alleged in the FTC's Second Amended Complaint, and does not  
8 have a legitimate claim to those funds.

9 9. This action and the relief awarded herein, are in addition to, and not in  
10 lieu of, other remedies as may be provided by law, including both civil and criminal  
11 remedies.

12 10. Entry of this Order is in the public interest.

13 11. Entry of this Order resolves the FTC's action against Defendants and  
14 Relief Defendant, and there is no just reason for delay in certifying this Order as  
15 final. Therefore, the FTC is entitled to entry of this judgment now pursuant to Rule  
16 54(b).

## 17 DEFINITIONS

18 For the purposes of this Order, the following definitions shall apply:

19 1. "**Defendants**" mean LegalTurn, Inc., Federal Loan Modification, LLC,  
20 SBSC Corporation, Federal Loan Modifications, and Legal Turn, LLC.

21 2. "**Relief Defendant**" means MGO Capital.

22 3. "**Person**" means a natural person, organization, or other legal entity,  
23 including a corporation, partnership, proprietorship, association, cooperative, or any  
24 other group or combination acting as an entity.

25 4. "**Servicer**" means any beneficiary, mortgagee, trustee, loan servicer,  
26 loan holder, or any entity performing loan or credit account administration or  
27 processing services and/or its authorized agents.

28 5. "**Assisting others**" includes, but is not limited to, providing any of the

1 following goods or services to another person: (A) performing customer service  
2 functions, including, but not limited to, receiving or responding to consumer  
3 complaints; (B) formulating or providing, or arranging for the formulation or  
4 provision of, any telephone sales script or any other marketing material, including  
5 but not limited to, the text of any Internet website, email, or other electronic  
6 communication; (C) providing names of, or assisting in the generation of, potential  
7 customers; (D) performing marketing services

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1 settle, or in any way alter the terms of payment or other terms of any secured or  
2 unsecured debt, including but not limited to credit card, medical, vehicle loan, and  
3 tax debt, between a consumer and one or more creditors, servicers, or debt collectors,

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1 debt relief good or service, credit repair good or service, advance fee loan, or any  
2 credit, debit, or stored value card, including pre-paid calling cards; or

3 B. Assisting others engaged in advertising, marketing, promoting, offering  
4 for sale, or selling of any debt relief good or service, credit repair good or service,  
5 advance fee loan, or any credit, debit, or stored value card, including pre-paid calling  
6 cards.

7 **PROHIBITED REPRESENTATIONS RELATING TO ANY GOODS OR**  
8 **SERVICES**

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

18 A. Any material aspect of the nature or terms of any refund, cancellation,  
19 exchange, or repurchase policy, including, but not limited to, the likelihood of a  
20 consumer obtaining a full or partial refund, or the circumstances in which a full or  
21 partial refund will be granted to the consumer;

22 B. That any person is affiliated with, endorsed or approved by, or  
23 otherwise connected to any other person, government entity, any federal homeowner  
24 relief or financial stability program, or any other program;

25 C. The total costs to purchase, receive, or use, and the quantity of, the good  
26 or service;

27 D. Any material restriction, limitation, or condition to purchase, receive, or  
28 use the good or service; and



1 E. Any material aspect of the performance, efficacy, nature, or  
2 characteristics of the good or service.

3 **MONETARY RELIEF**

4 **IV. IT IS FURTHER ORDERED** that:

5 A. Judgment is hereby entered against Defendants, jointly and severally, in  
6 the amount of ten million three-hundred ninety-seven thousand two-hundred sixty  
7 dollars (\$10,397,260). This amount shall become immediately due and payable by  
8 Defendants upon entry of this Order, and interest computed at the rate prescribed  
9 under 28 U.S.C. § 1961, as amended, shall immediately begin to accrue on the  
10 unpaid balance;

11 B. Judgment is hereby entered against Relief Defendant MGO Capital in  
12 the amount of two hundred thirteen thousand seven hundred thirty-seven dollars  
13 (\$213,737).

14 C. Any funds received by the FTC pursuant to this Section shall be  
15 deposited into a fund administered by the FTC or its agent to be used for equitable  
16 relief, including but not limited to consumer redress and any attendant expenses for  
17 the administration of any redress funds. In the event that direct redress to consumers  
18 is wholly or partially impracticable or funds remain after redress is completed, the  
19 FTC may apply any remaining funds for such other equitable relief, including but not  
20 limited to consumer information remedies, as the FTC determines to be reasonably  
21 related to the practices alleged in the Amended Complaint. Any funds not used for  
22 such equitable relief shall be deposited to the U.S. Treasury as equitable  
23 disgorgement. Defendants shall have no right to challenge the FTC's choice of  
24 remedies or the manner of distribution.

25 D. The judgment entered pursuant to this Section is equitable monetary  
26 relief, solely remedial in nature, and not a fine, penalty, punitive assessment or  
27 forfeiture.

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E. Pursuant to Section 604(1) of the Fair Credit Reporting Act, 15 U.S.C.

A handwritten signature in black ink, appearing to read "Paul G. [unclear]", is written over a horizontal dotted line. The signature is cursive and somewhat stylized.