

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF NORTH CAROLINA
SOUTHERN DIVISION

CASE NO.: 7:09-CV-

Chris W. **TAYLOR**, for himself)
and all others similarly situated,)
Plaintiffs)

v.)

RICO CLASS COMPLAINT

Lee W. **BETTIS**, Jr., Esq.;)
Pat Leigh **PITTMAN**, Esq.;)
Joanne K. **PARTIN**, Esq.;)
Robert L. **EMANUEL**, Esq.;)
Stephen A. **DUNN**, Esq.;)
Raymond E. **DUNN**, Jr., Esq.;)
EMANUEL & DUNN, PLLC,)
a North Carolina professional)
limited liability company and)
18 U.S.C. § 1961(4) association-in-fact;)
BETTIS DUNN & DUNN,)
a North Carolina general partnership and)
18 U.S.C. § 1961(4) association-in-fact;)
CCDN, LLC,)
a Nevada limited liability company and)
18 U.S.C. § 1961(4) association-in-fact;)
LEGAL DEBT CURE, LLC,)
a Nevada limited liability company and)
18 U.S.C. § 1961(4) association-in-fact;)
R.K. LOCK & ASSOCIATES,)
an Illinois sole proprietorship and)
18 U.S.C. § 1961(4) association-in-fact)
doing business as CCDN or the Credit)
Collections Defense Network;)
Jen **DEVINE**;)
Robert K. **LOCK**, Jr., Esq.;)
Colleen Tomasino **LOCK**;)
Philip M. **MANGER**, Esq.;)
S. John **HAGENSTEIN**;)
THE CREDIT CARD SOLUTION,)
a Texas sole proprietorship and)
18 U.S.C. § 1961(4) association-in-fact;)
and, Robert Mitchell **LINDSEY**,)
Defendants.)

JURY TRIAL DEMANDED

COME NOW Plaintiffs by and through the undersigned, and seek relief against Defendants as follows:

1. Defendants are engaged, with no end in sight and no significant interference from law enforcement (except as to Mr. Lindsey and TCCS, who have been sued by the State of Texas), in a pattern of continuing racketeering activity, to wit: wire, mail, and bank fraud in violation of 18 U.S.C. §§ 1341, 1343, and 1344 in furtherance of a nationwide debt elimination and credit repair scam, and laundering of tens of millions of dollars obtained from Plaintiffs in violation of 18 U.S.C. §§ 1956 and 1957, which Plaintiffs' property Defendants converted to their own use, entitling Plaintiffs to actual and punitive damages for conversion and unjust enrichment; treble damages plus costs and attorney fees under each of the Racketeer Influenced and Corrupt Organizations Acts, Title 18 U.S.C. Chapter 96 and NCGS Chapter 75D; piercing the LLC veil to correct inequities and redress fraud; and imposition of a constructive trust, among other remedies.

2. Plaintiffs have concurrently notified North Carolina Attorney General Roy Cooper in writing per NCGS § 75D-8(c).

JURISDICTION AND VENUE

3. Plaintiffs seek damages in excess of \$75,000 exclusive of costs and fees, on grounds that Defendants admitted in their marketing materials to having 6,000 customers, who paid Defendants an average of more than \$4,000 each, for a total intake of at least \$24,000,000, and to inducing nonpayment of \$150,000,000 in credit card debt, totaling \$174,000,000 in actual damages, which sum is tripled per RICO to \$522,000,000; and since NCRICO is cumulative to all other theories of relief, Defendants owe an additional measure of triple damages, aggregating not less than \$1,044,000,000 (one billion forty-

four million dollars) owed to Plaintiffs regardless of Defendants' ability to pay, in addition to punitive damages, if Defendants have the ability to pay any.

4. This Court has subject matter jurisdiction over Plaintiffs' claims arising under United States law per 28 U.S.C. §§ 1331 and 1332(a)(1) and (d)(2)(A).

5. This Court has pendent jurisdiction over Plaintiffs' claims arising under state and common law per 28 U.S.C. § 1367.

6. A substantial part of the events and omissions giving rise to the claim occurred, and at least eight Defendants may be found, in the Eastern District of North Carolina, laying venue here per 18 U.S.C. § 1965(a) and 28 U.S.C. § 1391(b)(2) and (3).

7. Regardless of the presence or absence of minimum contacts with North Carolina, this Court has nationwide jurisdiction over Defendants' persons per 18 U.S.C. § 1965.

8. At least eight Defendants reside, many of the records and at least one key nonparty witness are located, related state and federal proceedings are pending, and the only lawyer willing to take this case contingent resides, in the Eastern District of North Carolina, such that the ends of justice require nationwide service of process by the marshal of any district in which any Defendant may be found, per 18 U.S.C. § 1965(b).

9. In the cases of Cathy Hunt, Sheryl Lucas, and Bill Harrison *infra*, personal jurisdiction existed over all Defendants because: they were engaged in substantial activity in North Carolina, to wit, servicing at least twelve customers (all of them Class Members here) and recruiting more customers at the time service of process was made on them in September 2008, per NCGS § 1-75.4(1)a; solicitation or services activity was carried on within North Carolina by each Defendant or on each Defendant's behalf (being all conspirators in fraud and crime, and therefore without the protection of any limited

liability entity), to wit, servicing at least twelve customers (all of them Class Members in the instant action) and soliciting more customers at or about the time of injury to Ms. Hunt, Ms. Lucas, and Mr. Harrison; and all of Defendants' actions related to things of value (money or monetary instruments) shipped from North Carolina by Ms. Hunt, Ms. Lucas, and Mr. Harrison on Defendants' order or direction.

10. In addition, Robert K. Lock, Jr., Esq. personally signed in the name of disregarded entity CCDNLLC a contract to be performed in North Carolina, and as owner of RKLA/CCDN conspired with all other Defendants and directed all other Defendants' actions relating to it; Colleen Tomasino Lock dispatched at least 20 emails to North Carolina to promote and carry on CCDN's business as to at least twelve customers in North Carolina; Philip M. Manger, Esq. solicited on his own initiative at least one North Carolina lawyer to service CCDN customers in North Carolina, and telephoned Ms. Hunt and other CCDN customers in North Carolina to solicit their business and service their accounts; Tracy Webster sent to Ms. Hunt and Mr. Harrison in North Carolina legal templates and forms intended for them to sign and file in North Carolina courts, and exchanged many emails with them on Defendants' business over several months; all of their actions were on behalf of disregarded or veil-pierced entities RKLA/CCDN or CCDNLLC, which did not insulate any Defendant from, but rather connected them directly to, North Carolina; David M. Kramer in the name of disregarded and pierced entities Debt Jurisprudence Division (later Debt Jurisprudence, Inc.) of Aegis Corporation sent one or more emails to North Carolina directing Mr. Harrison to send money from North Carolina to Missouri, and did so on behalf of his wife and conspirator Marcia M. Murphy, who was and is also an officer of Aegis Corporation and Debt

Jurisprudence, Inc.; and other actions more than sufficient to establish minimum contacts with North Carolina and empower North Carolina state courts to protect North Carolina citizens from fraud and crime perpetrated across state lines.

PARTIES

11. Named Plaintiff Chris W. Taylor is an adult citizen of Pennsylvania with the capacity to sue or be sued for his own account or in a representative capacity on behalf of others.

12. The Class is a nationwide group of consumers against whom Defendants have committed similar violations of law.

13. The Class includes, but is not limited to, all named plaintiffs and putative class members (and Named Plaintiff is among them) whose rightful relief Defendants have wrongfully denied or delayed by sham litigation in Bladen County file numbers 08 CVD 883, 884, and 885, and U.S. District Court for the Eastern District of North Carolina case number 7:09cv81-F, formerly Bladen County file number 09 CVS 19.

14. Cathy Horton Hunt, Linda Sheryl Lucas, William G. Harrison, Sr., and Sharon Southwood are not parties to the instant case, but are Class Members whose dealings with Defendants are recited herein to show the widespread, consistent, and persistent nature of Defendants' continuing racketeering activities, and also a substantial part of the activities affecting their cases occurred in the Eastern District of North Carolina.

15. <http://www.attorneydebthelp.net/land01.asp>
<http://attorneydebtsupport.com/>
<http://legallyresolvedebt.com/>
<http://www.thecreditcardsolution.com/>

all claimed that Defendants have "Helped [actually defrauded] over 6,000 families nationwide since 2000!" which means that at least 6,000 persons are in the Class, and the

same pages claim to have “Invalidated over \$150,000,000 of credit card debt!” which really means that Defendants induced consumers not to pay back that amount of debt, and

<http://www.attorneydebthelp.net/land01.asp>
<http://attorneydebtsupport.com/>
<http://www.legallyerasedebt.com/land01.asp>

still claim that Defendants have “Helped thousands of families nationwide!” and “Reconciled millions in credit card debt!” and “Assisted clients in restoring their credit scores!”

16. Mr. Lock admitted in supplemental interrogatories in *Greene v. Consumer Advocate Foundation Service*, ILND 1:08cv6165, DE59-2 at 4, that as of 13 October 2009, CCDN has taken in a bare minimum of 2,219 customers nationwide.

17. Herein, “Plaintiffs” refers to Named Plaintiff and the Class together.

18. “Counsel” refers to undersigned Plaintiffs’ counsel, a nonparty.

Defendants In General

19. All Defendants have the capacity to sue and be sued for their own accounts or in a representative capacity on behalf of others.

20. All Defendants have used instrumentalities of interstate commerce, including but not limited to the U.S. Postal Service, private delivery services, interstate wires, federally chartered national banking associations, federally insured banks and financial institutions, interstate highways, and common carriers to transmit information in furtherance of their scheme to defraud Plaintiffs, and to transfer Plaintiffs’ money and other property among themselves and to third parties in interstate commerce and across state lines.

21. All Entity Defendants, whether or not formally organized or incorporated and whether or not otherwise legitimate businesses, are RICO Enterprises, i.e., racketeer

influenced and corrupt organizations per 18 U.S.C. § 1961(4) and NCGS § 75D-3(a).

22. All Entity Defendants, even those formally organized as corporations or limited liability companies, are alter egos of other Defendants which those Defendants dominate and control in order to perpetrate fraud, crime, and inequity, and must be disregarded for purposes of attempting to limit any other person's liability for any claim herein.

23. All Defendants are "credit repair organizations" for purposes of 15 U.S.C. § 1679a(3) because they all use the interstate wires and U.S. Mail to represent that they can improve any consumer's credit record, credit history, or credit rating in return for the payment of money.

Lawyer Defendants

24. Defendant Lee W. Bettis, Jr., Esq. is a member of the North Carolina State Bar; a conspirator with all other Defendants; counsel of record in 7:09cv81-F for Defendants TCCS, CCDNLLC, RKLA/CCDN, Lock, Lock, Manger, and Lindsey; an employee or agent of Emanuel & Dunn at its New Bern office; a general partner of the North Carolina general partnership and RICO association-in-fact of Bettis Dunn & Dunn; and has received proceeds of unlawful activity (Plaintiffs' property that Defendants obtained by wire, mail, and bank fraud) directly and/or through Emanuel & Dunn salary or bonuses or other distributions, and is keeping Plaintiffs' property away from them.

25. Defendant Pat Leigh Pittman, Esq. is a member of the North Carolina State Bar; a member/manager of Emanuel & Dunn with at least a 1/6 share; a conspirator with all other Defendants; and has received proceeds of unlawful activity (Plaintiffs' property that Defendants obtained by wire, mail, and bank fraud) directly and/or through Emanuel & Dunn salary, profits, dividends, bonuses or other distributions, and is keeping Plaintiffs'

property away from them.

26. Defendant Joanne K. Partin, Esq. is a member of the North Carolina State Bar; a member/manager of Emanuel & Dunn with at least a 1/6 share; a conspirator with all other Defendants; and has received proceeds of unlawful activity (Plaintiffs' property that Defendants obtained by wire, mail, and bank fraud) directly and/or through Emanuel & Dunn salary, profits, dividends, bonuses or other distributions, and is keeping Plaintiffs' property away from them.

27. Whether or not they are in Mr. Bettis's formal chain of command, Ms. Pittman and Ms. Partin cannot plausibly deny actual knowledge of his behavior, since they work in the same not-very-large office as Mr. Bettis and are owners and managers of Emanuel & Dunn with authority to direct and control their employees, and they are responsible for everything in or relating to their firm, and have a duty to see that their personnel do not harm innocent third parties, including Plaintiffs; but instead, Ms. Pittman and Ms. Partin chose to allow and ratify, and on information and belief ordered and directed and encouraged, Mr. Bettis to act the way he does; and certainly have profited handsomely from Mr. Bettis's bringing in Plaintiffs' property, which they still wrongfully retain.

28. Defendant Robert L. Emanuel, Esq. is a member of the North Carolina State Bar; a member/manager of Emanuel & Dunn with at least a 1/6 share; a conspirator with all other Defendants; and has received proceeds of unlawful activity (Plaintiffs' property that Defendants obtained by wire, mail, and bank fraud) directly and/or through Emanuel & Dunn salary, profits, dividends, bonuses or other distributions, and is keeping Plaintiffs' property away from them.

29. Defendant Stephen A. Dunn, Esq. is a member of the North Carolina State Bar; a

conspirator with all other Defendants; counsel for Defendants TCCS, CCDNLLC, RKLA/CCDN, Lock, Lock, Manger, and Lindsey; a member/manager of Emanuel & Dunn with at least a 1/6 share; a general partner of the North Carolina general partnership and RICO association-in-fact of Bettis Dunn & Dunn; and has received proceeds of unlawful activity (Plaintiffs' property that Defendants obtained by wire, mail, and bank fraud) directly and/or through Emanuel & Dunn salary, profits, dividends, bonuses or other distributions, and is keeping Plaintiffs' property away from them.

30. Defendant Raymond E. Dunn, Jr., Esq. is a member of the North Carolina State Bar; a member/manager of Emanuel & Dunn with at least a 1/6 share; a conspirator with all other Defendants; a general partner of the North Carolina general partnership and RICO association-in-fact of Bettis Dunn & Dunn; and has received proceeds of unlawful activity (Plaintiffs' property that Defendants obtained by wire, mail, and bank fraud) directly and/or through Emanuel & Dunn salary, profits, dividends, bonuses or other distributions, and is keeping Plaintiffs' property away from them.

31. Raymond Dunn is also Mr. Bettis's supervisor in the New Bern office and tells Mr. Bettis what to do and how to do it, and received actual notice of Mr. Bettis's actions in writing in April 2009, but has at least ratified them by doing nothing of substance to change Mr. Bettis's behavior, and on information and belief ordered him to act that way in the first place.

32. As is well known in the legal community, corporate associates such as Mr. Bettis either follow orders exactly, or are fired, and since Mr. Bettis still works at Emanuel & Dunn, he must be following orders exactly.

33. Plaintiffs reserve the right to amend this Complaint to include additional Emanuel

& Dunn personnel whom discovery reveals to be responsible for wrongdoing.

34. Defendant Emanuel & Dunn, PLLC (E&D) is a limited liability company organized under North Carolina law, SOSID 0496669, principal business address 3230 Country Club Road, PO Drawer 1389, New Bern NC 28562, registered agent Raymond E. Dunn, Jr. at the same address; is a conspirator with all other Defendants; and has received proceeds of unlawful activity (Plaintiffs' property that Defendants obtained by wire, mail, and bank fraud) directly and/or through Emanuel & Dunn agents or employees, and has kept some of it away from Plaintiffs by distributing it as salary, profits, dividends, bonuses or other distributions, and is still keeping the rest of Plaintiffs' property away from them.

35. Defendant Bettis Dunn & Dunn (BDD) is an association of two or more people doing business together, and by operation of law is a North Carolina general partnership, and an unincorporated association-in-fact enterprise per 18 U.S.C. § 1961(4) and NCGS § 75D-3(a), organized and run by general partners Mr. Bettis, Steve Dunn, and Raymond Dunn for the common purposes of laundering criminally derived money; threatening Counsel's safety to try to obtain advantage; and perpetrating sham litigation against Plaintiffs by maliciously attacking and defaming Counsel personally, advancing frivolous defenses, and willfully and knowingly misrepresenting facts, thus wrongfully delaying or denying relief in order to allow their clients to perpetuate and expand their scam, defraud hundreds more Plaintiffs and waste, hide, transfer, and expatriate Plaintiffs' property, and accepting Plaintiffs' property from other Defendants as payment for illegally keeping Plaintiffs' property away from Plaintiffs.

CCDN Defendants

36. Defendant CCDN, LLC (CCDNLLC) is a limited liability company organized under Nevada law, entity number E0717642006-2, principal address 7144 North Harlem Avenue Suite 323, Chicago IL 60631, registered agent Eastbiz.com, Inc., 5348 Vegas Drive, Las Vegas NV 89106; has the capacity to sue or be sued for its own account or in a representative capacity; also does business as “R.K. Lock & Associates,” “CCDN,” “The CCDN,” and “The Credit Collections Defense Network”; and is primarily in the business of obtaining advance payments of \$2,500 to \$8,000 by promising to restore credit, reduce debt to zero, and obtain damages from debt collectors, but then after obtaining the fee, does not restore credit, reduce debt, or obtain net damages from debt collectors; is a conspirator with all other Defendants; and has received proceeds of unlawful activity (Plaintiffs’ property that Defendants obtained by wire, mail, and bank fraud) directly or from other Defendants and has transferred it to other Defendants in the form of salary, profits, dividends, bonuses or other distributions, and is keeping the rest of Plaintiffs’ property away from them.

37. Defendant Legal Debt Cure, LLC (LDC) is a limited liability company organized under Nevada law on or about 14 May 2009, entity number E0259342009-4, owned and managed by Mr. and Ms. Lock, Mr. Manger, and his son Charles Manger, who all list their addresses as 7144 N. Harlem Ave Ste 323, Chicago IL 60631 (which is in fact a UPS Store mail drop); is an alter ego for other Defendants, especially RKLA/CCDN; has received proceeds of unlawful activity (Plaintiffs’ property that Defendants obtained by wire, mail, and bank fraud) directly or from other Defendants and has given some of it to other Defendants through salary, profits, dividends, bonuses or other distributions, and is keeping Plaintiffs’ property away from them; and is a conspirator with all other

Defendants.

38. Defendant R.K. Lock & Associates, which also does business as “CCDN,” “CCDN, LLC,” “The CCDN,” and “The Credit Collections Defense Network,” (RKLA/CCDN, as it calls itself in contracts), is a sole proprietorship of Robert K. Lock, Jr., Esq. with the capacity to sue or be sued for its own account or in a representative capacity, through which Robert K. Lock does business, principal address 7144 N. Harlem Avenue Suite 323, Chicago IL 60631-1005 (which is in fact a UPS Store mail drop); is a conspirator with all other Defendants; has received proceeds of unlawful activity (Plaintiffs’ property that Defendants obtained by wire, mail, and bank fraud) directly or from other Defendants, and has given it to other Defendants in the form of salary, profits, dividends, bonuses or other distributions, and is keeping Plaintiffs’ property away from them; and is primarily in the business of obtaining advance payments of \$2,500 to \$8,000 by promising to restore credit, reduce debt to zero, and obtain damages from debt collectors, but then after obtaining the fee, does not restore credit, reduce debt, or obtain net damages from debt collectors, and then refuses to return Plaintiffs’ property.

39. RKLA/CCDN or “Credit Collections Defense Network” is or has been a defendant in at least three federal actions for similar misdeeds as in the instant action: *Olson v. Aegis Corp.*, 08cv1076 in the District of Minnesota, settled and dismissed with prejudice 05 Sep 2008; *Capital One Bank (USA), N.A. v. Carefree Debt, Inc.*, 0:08cv2274-JFA in the District of South Carolina, still pending; and *Greene v. Consumer Advocate Foundation Service*, 08cv6165 in the Northern District of Illinois, still pending.

40. Hereinafter, if it is not clear to Plaintiffs which entity--The Credit Card Solution, Legal Debt Cure, R.K. Lock & Associates, CCDNLLC, or Credit Collections Defense

Network--is responsible for an act or series or pattern of acts, all are collectively referred to as "CCDN" and shall be deemed jointly and severally responsible as joint tortfeasors for all acts or series or patterns of acts by one or more entities.

41. Defendant Jen Devine is an employee or agent of RKL/CCDN at its Brick, NJ office; holds herself out as CCDN's "Lead Paralegal" but has no known paralegal training or certification; conducts or participates, directly or indirectly, in the conduct of the RICO Enterprises' affairs through a pattern of racketeering activity; is a conspirator with all other Defendants; has received proceeds of unlawful activity (Plaintiffs' property that Defendants obtained by wire, mail, and bank fraud) directly and/or through salary, profits, dividends, bonuses or other distributions, and is keeping Plaintiffs' property away from them; conducts or participates, directly or indirectly, in the conduct of the RICO Enterprises' affairs through a pattern of racketeering activity; and since at least 2004 has participated in and operated CCDN and similar scams, knowingly and willfully deceiving and defrauding Plaintiffs, falsely assuring them that everything will turn out well even though she knows otherwise, and refusing to give refunds even though she knows that payment of money to CCDN results in victims ending up far deeper in debt than before they ever heard of CCDN.

42. Defendant Robert K. Lock, Jr., Esq. is married to Defendant Colleen Lock; is admitted to the practice of law in Illinois, bar number 905393375, record address R.K. Lock & Associates, 7144 North Harlem Avenue Suite 323, Chicago IL 60631-1005; is an owner and manager of CCDNLLC, RKL/CCDN, and LDC; is a conspirator with all other Defendants; has received proceeds of unlawful activity (Plaintiffs' property that Defendants obtained by wire, mail, and bank fraud) directly and/or through salary,

profits, dividends, bonuses, gifts from Mrs. Lock, or other distributions, and is keeping Plaintiffs' property away from them; and conducts or participates, directly or indirectly, in the conduct of the RICO Enterprises' affairs through a pattern of racketeering activity.

43. Defendant Colleen Tomasino Lock is married to Defendant Robert K. Lock, Jr., Esq., is an owner of LDC and CCDNLLC, works as a so-called paralegal there although like Ms. Devine does not help Plaintiffs in the least but rather leaves them deeper in debt; is a conspirator with all other Defendants; has received proceeds of unlawful activity (Plaintiffs' property that Defendants obtained by wire, mail, and bank fraud) directly and/or through salary, profits, dividends, bonuses, gifts from Mr. Lock, or other distributions, and is keeping Plaintiffs' property away from them; and conducts or participates, directly or indirectly, in the conduct of the RICO Enterprises' affairs through a pattern of racketeering activity.

44. Defendant Philip M. Manger, Esq. is admitted to the practice of law in New York, registration number 1452010, record address The CCDN, 7144 North Harlem Avenue Suite 323, Chicago IL 60631, alternate address 19 Taunton Hill Road, Newtown CT 06470; is an owner and manager of CCDN, RKLA/CCDN, CCDNLLC, and Credit Collections Defense Network; is a conspirator with all other Defendants; has received proceeds of unlawful activity (Plaintiffs' property that Defendants obtained by wire, mail, and bank fraud) directly and/or through salary, profits, dividends, bonuses or other distributions, and is keeping Plaintiffs' property away from them; and conducts or participates, directly or indirectly, in the conduct of the Enterprises' affairs through a pattern of racketeering activity.

45. Defendant S. John Hagenstein is the Marketing Director or Marketing Manager of

CCDN, LDC, and CCDNLLC; personally records marketing and sales speeches and conference calls; personally denied a refund to Named Plaintiff for knowingly false reasons; is a conspirator with all other Defendants; has received proceeds of unlawful activity (Plaintiffs' property that Defendants obtained by wire, mail, and bank fraud) directly and/or through salary, profits, dividends, bonuses or other distributions, and is keeping Plaintiffs' property away from them; and conducts or participates, directly or indirectly, in the conduct of the RICO Enterprises' affairs through a pattern of racketeering activity.

TCCS Defendants

46 . Defendant The Credit Card Solution (TCCS) is a sole proprietorship of Defendant Robert Mitchell Lindsey, principal address 333 North Sam Houston Parkway East, Suite 1190, Houston TX 77060, managing partner or sole proprietor Bob M. Lindsey at the same address; conspired with all other Defendants; converted Plaintiffs' property by receiving it (sometimes in the name of Bob Lindsey) and not giving it back; and was (until TXAG shut it down on or about 08 July 2009) primarily in the business of obtaining advance payments of \$2,500 to \$8,000 by promising to restore credit, reduce debt to zero, and obtain damages from debt collectors, but then after obtaining the fee, does not restore credit, reduce debt, or obtain net damages from debt collectors.

47 . Defendant Robert Mitchell "Bob" Lindsey is an adult with the capacity to sue or be sued on his own account or in a representative capacity on behalf of others, was the managing partner of now defunct The Credit Card Solution (TCCS); is a conspirator with all other Defendants; has (sometimes in the name of TCCS or CCDN, and then stealing or diverting at least \$469,035 for his own wrongful benefit and use) received proceeds of

unlawful activity (Plaintiffs' property that Defendants obtained by wire, mail, and bank fraud) directly and/or through salary, profits, dividends, bonuses or other distributions, and is keeping Plaintiffs' property away from them; has transferred some of Plaintiffs' property to other Defendants by instrumentalities of interstate commerce; is still running debt elimination scams despite direct court orders not to do so; and conducted or participated, directly or indirectly, in the conduct of the Enterprises' affairs through a pattern of racketeering activity.

48. In the purchase agreement that Mr. Lindsey and Named Plaintiff executed, Mr. Lindsey refers to TCCS and CCDN as the single entity "TCCS/CCDN," meaning that Mr. Lindsey conspired with CCDN Defendants to defraud Plaintiffs.

FACTS

The Credit Collections Defense Network--"Our Founders"

49. Robert Kenneth Lock, Jr. of Chicago and Philip M. Manger of Newtown, Connecticut are licensed to practice law in Illinois and New York respectively.

50. Sometime in or before 2004, Mr. Lock, his wife Colleen Lock, and Mr. Manger formed an organization known as the Credit Collections Defense Network (CCDN), which they still own, operate, and manage with no end in sight and no substantial interference from law enforcement or Bar authorities.

51. CCDN has at various times taken at least the following names and forms: the doing-business-as name of Mr. Lock's sole proprietorship R.K. Lock & Associates; CCDN, LLC, or CCDNLLC, a Nevada limited liability company, entity number E0717642006-2, organized by Mr. Lock and Mr. Manger; the Credit Collections Reconciliations Network; CCRN; Legal Debt Cure; Legal Debt Cure, LLC, a Nevada

limited liability company, entity number E0259342009-4, organized by Mr. and Mrs. Lock, Mr. Manger, and Mr. Manger's son Charles; and the URLs of over 30 different landing and marketing pages of either CCDN or its many different marketing partners.

52. CCDN's principal address, and Mr. Lock's and Mr. Manger's Bar address of record, and the record address of CCDN, LLC and Legal Debt Cure, LLC, is 7144 North Harlem Avenue, Suite 323, Chicago IL 60631-1005.

53. In fact, this is a UPS Store mail drop that Defendants use to evade service of process and other means of holding them responsible to Plaintiffs.

54. CCDN uses the photographs, credentials, biographies, and recorded speeches of Mr. Lock and Mr. Manger, lawyers with 50 years' experience between them, to sell CCDN's programs and services, assuring Plaintiffs that everything CCDN does is in full compliance with federal law.

55. <http://consumersolutions101.com/The%20CCDN%20System.htm> posts a recorded conference call wherein CCDN Marketing Director John Hagenstein sells the program and answers questions from two callers, and to assure caller Alicia in response to her concerns that CCDN might be a scam, states at about 32:41 in the recording: "Our two founders are attorneys. They have legitimate Bar licenses. You can check them out if you go to our website and look at their names, do a search in Illinois, or in New York or Connecticut where the two founders are located and they have Bar licenses." At about 34:40 in the recording: "We're an ethical organization. We're lawyers. We won't risk our livelihood, I'm not a lawyer by the way, I'm a marketing director, but our two founders are lawyers. They will not risk their legal livelihood and get disbarred over this scam. Plus we have over 250 network attorneys that are in our program working for us

around the country, and they're not going to risk their reputations to be affiliated with a company that scams people.”

How CCDN Claims to Work

56. <http://www.ccdnlaw.com/index.php?D=28> sets forth the basics of CCDN's purported three-phase program.

57. “Phase One” or “Credit Reconciliation” claims, without saying how: “Our experience has been that numerous negatives will be removed from a typical customers credit reports within the first 3 to 4 months of the process.”

58. “Phase Two” or “Validation and Reconciliation” consists of “a series of proprietary letters” to creditors and debt collectors, failure to respond to which will result in CCDN's “demand that they zero out our customer’ account and mark it ‘paid as agreed.’”

59. “Phase Three—Federal Lawsuit” is when “our paralegals conduct a compliance audit of each account of each customer” followed by a CCDN attorney filing a lawsuit.

60. <http://www.ccdnlaw.com/index.php?D=20> is a long list of FAQs, the answers to which are sometimes vague; but on first reading, a reasonable consumer or even a reasonable consumer lawyer would not see anything grossly amiss, absent specialized prior knowledge of how debt elimination scams work and how to spot them.

61. Nowhere does www.ccdnlaw.com disclose that CCDN's vaunted “nationwide network of attorneys” is virtually nonexistent and that CCDN can refer very few customers to lawyers, or that CCDN has been known to give Plaintiffs names of lawyers who, upon a Plaintiff contacting them, are quite startled to learn that CCDN, of whom they have never heard, claims them as part of their “nationwide network,” when in fact

CCDN most likely picked them at random from published lists of consumer attorneys.

62. Neither does www.ccdnlaw.com disclose that CCDN through its agents, marketing sites, and later materials: advocates the thoroughly discredited “vapor money” theory, which holds bank loans to be imaginary and unnecessary to repay; gives out frivolous and ineffective dispute letters that creditors and collectors may lawfully ignore and that have no effect on the validity of legitimate debt; claims to be able to remove true and correct negative items from credit reports, and then does not do so; claims to “restore credit” to what it was before the customer got into financial trouble, and then does not do so; claims to be able to reduce debt to zero, and then does not do so; tells consumers to deliberately stop paying their debts; tells consumers to encourage and allow debt collectors to abuse them in hopes of increasing damages awards, without disclosing that maximum damages under such laws are very low; claims that damages and settlements will be so large as to offset debts and cause creditors to remove true negative information from credit reports; demands 75% of the gross receipts from any judgments or settlements of consumer protection lawsuits; and charges or allows to be charged an advance fee of \$2,500 to over \$8,000 before doing any work.

63. <http://consumersolutions101.com/The%20CCDN%20System.htm> posts a recorded conference call wherein CCDN Marketing Director John Hagenstein explains in more detail, and at about 12:10 of the recording, that Defendants expressly want Plaintiffs to provoke debt collectors and allow themselves to be severely abused:

Our responses are meant to aggressively challenge what they’re doing and **aggravating them even further**, and they become more and more aggressive. As they do this, **we want you to continue communicating with these people**. In some cases, we want you to fill out phone logs. In some cases, we want you to fill out what we call a phone statement, which is an individual call that you’ve had with a debt collector, and in some cases, where applicable, we may even ask you

to do some recording of conversations where the law allows, in certain states.

But the majority of the information we gather is **you personally talking with these debt collectors, listening to them challenge and violate your federal rights**. So once we've accumulated this information, we perform what is called a compliance audit, and this is the last part of the Phase II process.

64. Mr. Hagenstein answers questions from two callers, including Alicia, assuring her at about 24:27 of the recording that "they'll always do violations. It's just a matter of how often, how soon, and how many. So it's just a matter of time."

65. Caller Jack has "a few foreclosures" and some unpaid credit cards, but not to worry, says Mr. Hagenstein, beginning at about 27:44 of the recording:

HAGENSTEIN: Jack, **we can repair your credit** with the credit restoration program, and we use a sister company called The Fulfillment Center. **They are fantastic for repairing people's credit**. Like I said, they stay with you through the 24 months, working with you to write letters to the three reporting agencies, challenging the validity of the debt and asking them to prove that these debts, these derogatories that is, these negative marks are valid, and they can't, because these banks don't keep the information. All they do is send credit card statements or, y'know, they send a letter to the bank and the bank says yes it's legitimate, but yet they don't provide any validation, so we use the FCRA and the FCBA, the Fair Credit Reporting and Billing Act laws, primarily section 609 and 611, to ask them to validate or remove. Once they remove these debts, if they can't be validated, they can never put them back on your reports again. And that leads to a very consistent time-managed process, **your credit scores will be restored**.

JACK: But like I say, if it's only credit card debt, I don't understand that.

HAGENSTEIN: Jack, I didn't, **I didn't say credit card**. **We restore your credit scores, which means that everything that affects your credit scores will be dealt with in whatever fashion we need to**. If they can't validate the actual derogatory, the negative mark, they have to remove it. That goes for **judgments, bankruptcies, it goes for foreclosures, it goes for unsecured credit card debt, loans, goes for anything**. **If they can't validate it, they have to remove it**, and if they remove it, it can't go back on, and if it doesn't go back on, **your credit scores go up**.

66. Later, Jack had the following exchange with Mr. Hagenstein:

JACK: So, um, yeah, you said that, um, you have to answer the phone calls that they call you, trying to collect. Like, what if I didn't answer the phone, you know, I owe numbers of credit cards, and they been calling, and I can't pay them, so I didn't answer, answer back, and so they send me the debt collector, and

it's, I think it's over 30 or even 60 days, so what do we do here?

HAGENSTEIN: Yeah, well, **basically you have to talk to these people**, Jack. It's unfortunate, it's not a fun job, but you, if you right now, if you hired an attorney, for example, to defend yourself in this situation, to represent you, they wouldn't call you. They'd have to talk to the attorney. And they wouldn't violate any laws. So the idea is that you, representing yourself in this process, cause we're not your attorney, we're an education company that advises you. **That's why you gotta do this yourself**, because if they know you're represented by an attorney or working with an attorney, they're obligated by federal law to talk to that attorney rather than you.

JACK: Mmm-hmm.

HAGENSTEIN: **You need to be the one that talks to them** because they think that you're just representing yourself, you're an uneducated consumer, and they'll try all the tactics that are available to them to try to get you to agree to pay them some money.

67. CCDN has contracted with at least 30 different individuals and businesses, which CCDN calls "affiliates," to sell its program on a commission basis.

68. Despite Mr. Lock's and Mr. Manger's duty to exercise reasonable care in the people they hire, CCDN regularly contracts or associates with disreputable people who have verifiable histories of fraudulent conduct and deceptive trade practices, including but not limited to John Gliha, Richard Russ, Greg Britt, Brad Daley, Mark Cella, John Hagenstein, and (about whom more shortly) Robert Mitchell Lindsey.

69. Some of them, including Mr. Lindsey, have simply pocketed Plaintiffs' money instead of remitting it to CCDN less commission.

70. <http://legaldebtcureaffiliateprogram.433554.free-press-release.com/> is one of many sites where CCDN, especially its Legal Debt Cure alter ego, is rapidly building an affiliate program of amateur marketers and "plans on a very aggressive commission structure averaging \$1500 per sale to its affiliate salespeople" without any legal or debt relief training other than CCDN's worse-than-useless program, thus enticing many more consumers not just to become victims themselves, but also to participate in victimizing

new people.

71. Defendants have promoted their scheme and solicited business through at least the following websites, many of which are still operational:

<http://www.ccdnlaw.com/> (main page)
<http://ccdn-law.com/index.html>
<http://www.ccdn.us/>
<http://www.ccdn.cc/>
<http://www.ccdndemo.com/>
<http://credit-collections-defense-network.org/>
<http://credit-collections-defense-network.com/>
<http://www.ablewise.com/ads/view/383555/>
<http://www.active-debt.com/>
<http://www.americancreditauditors.com/aboutus.asp>
<http://attorneydebtassist.com/>
http://bankruptcyprotection.com/The_CCDN_System.php
<http://www.berniesfinancialadvice.com/>
<http://www.billsaregone.com/>
<http://biz.prlog.org/LegalDebtCure/>
<http://cdrcenter.info/>
<http://consumersolutions101.com/>
<http://www.creditcardrightscoalition.com/>
<http://www.creditcardsaregone.com/>
<http://www.debtattorneyprovider.com/>
<http://www.debteliminatedlegally.com/>
<http://www.debtoraid.net/>
<http://www.debtorinc.com/>
<http://www.debtsrgone.com/helpwithdebt/>
<http://www.deletedebtlegally.com/>
<http://dscreationnewagedebtsolu.homestead.com/>
<http://eugene.craigslist.org/lgs/1257331458.html>
<http://www.ezdebtsolutions.net/>
<http://www.financialsolutions.cc/faq.php>
<http://www.fixcredits.com/id60.html>
<http://www.free-press-release.com/news/200905/1241479689.html>
<http://www.free-press-release.com/news/200907/1248309351.html>
<http://www.fsei.cc/>
<http://www.gogetoutofdebt.net/>
<http://inflationary.blogspot.com/2008/06/ccdn-progam.html>
<http://www.legaldebtcure.com/>
<http://www.legallyerasedebt.com/>
<http://legallyriddebtwithoutbankruptcy.com/>
<http://libertagroup.cc/debt/>
<http://www.nomoredebt.cc/audiox.asp> (Bob Lock audio FAQ)

<http://paulcohenisaliar.com/>
<http://project-omega.com/services/fsi.htm>
<http://quantumdebtrelief.com/faq.php>
<http://www.resolveyourdebttoday.com/>
<http://www.sfveritas.org/page14.html>
http://www.settledebtforever.com/fs_faq.htm
<http://www.thecreditcardsalvation.com/>
<http://www.thecreditsolution.com/>
<http://www.thecreditsolution.net/>
<https://twitter.com/LegalDebtCure>
<http://www.uofmoney.com/services/fsi.htm>
<http://wipeoutdebtlegally.com/>
<http://www.wipeoutcreditdebt.com/land01.asp>
<http://www.zeromydebtnow.com/>

Bob Lindsey and The Credit Card Solution

72. One of the most successful CCDN pitchmen was Robert Mitchell “Bob” Lindsey, proprietor of now-defunct The Credit Card Solution.

73. Mr. Lindsey is a career confidence man who in 1994, file number 09-063950 in Harris County, 133d Judicial District, agreed with the Texas Attorney General, without admitting responsibility or liability, to cease and desist operating his fraudulent business Child Support Collection Agency of America, Inc. dba Child Support Enforcement Services, Inc.--ironically enough, a purported collection agency.

74. Mr. and Mrs. Lock and Mr. Manger knew or should have known of Mr. Lindsey’s checkered past, but hired him anyway because Mr. Lindsey is a superb salesman with a smooth, reassuring manner on camera, on the phone, and in person.

75. On or about 07 February 2007, Mr. Lindsey contracted with RK Lock & Associates to sell CCDN’s program and remit a \$2,800 fee to RKLA/CCDN for each new customer at the time of the customer’s admission to the CCDN program.

76. Between then and early 2009, Mr. Lindsey made over 40 videos promoting CCDN’s program and posted them at TCCS’s sites and many other online outlets such as

Yahoo Video, Google Video, YouTube, Dailymotion, Spike TV, MySpace, Sevenload, Revver, and Metacafe, where thousands of people have seen them.

77. In most of these videos, including the ones where he tells people to beware of so-called Christian debt counselors, Mr. Lindsey wears a very shiny Christian cross pendant.

78. Mr. Lindsey's presentations mix enough truth with the overall deception, and are sufficiently complex, that only a consumer protection lawyer with prior specialized knowledge of debt elimination scams would be likely to spot the illegality of his advice.

79. Some of Mr. Lindsey's videos are transcribed below, and it is best to let him explain CCDN's program in his own words.

80. <http://video.yahoo.com/watch/1875368/6154311> is Mr. Lindsey's video "A Debt Relief Program That Works--Intro (#1 of 6)," originally posted 29 January 2008 at YouTube, transcription verified 11 August 2009:

In the short videos on this page, I want to explain to you in detail our program, to explain how we can do exactly what we say we can do in the next 12 to 18 months. Number one, reduce your debt to zero. This is not a debt consolidation or debt settlement type of program. We are literally looking to make your debt go away. Number two is restore your credit score, so again, when the process is over, you will have an excellent credit rating. And number three, even recover some money for you, because we sue these debt collectors that end up with these debts. They do things that violate federal law and violate your rights. We hold them accountable. We take them into federal court, we sue them, we collect money from them, and you share in that process. And I'm going to explain all this in detail. But understand this: Everything we do in this process is based on federal law, and there are laws in place that are designed to protect you. The truth is, is that the credit card companies, the credit reporting agencies, and especially the debt collectors either do things that violate federal law or are out of compliance with portions of these federal laws. It is their noncompliance, it is their violations, that we are able to utilize to accompany the three things that I outlined. I'm going to explain the process in detail to you, step by step.

81. This video is deceptive in at least the following ways: CCDN's program cannot reduce credit card debt to zero; cannot restore anyone's credit score; cannot give an

excellent credit rating; is unlikely to result in a net recovery; does not file suits in federal court; is not based in federal law but rather is in gross violation of federal law; cannot gain sufficient leverage through collectors' and creditors' violations of consumer protection law to eliminate debt except a few small accounts; has gotten rid of very little consumer debt; and literally fails every time.

82. <http://video.yahoo.com/watch/1875382> is Mr. Lindsey's video "Restoring Your Credit With This Debt Plan (#2 of 6)," originally posted 29 January 2008 at YouTube, transcription verified on 11 August 2009:

The process works like this: If you decide to get into this program, you would cease paying your credit cards, and we'll go to work in the three areas that I outlined. We're going to start off with restoring your credit score. We're going to pull your credit bureaus, all three, and we're going to begin a process of disputing anything on there that's negative. I mean, anything that is negative now, and anything that appears negative in the course of this process.

The nature of the dispute that we have with the credit bureaus is very different, though, than you might imagine, is very different from anyone who does, quote, credit repair. A lot of people claim to do credit repair. A lot of what's out there is junk. What we do is entirely different. We dispute with the credit bureau based on the fact that they are out of compliance with reporting law.

They are governed by the Fair Credit Reporting Act, and in the Fair Credit Reporting Act, Section 609, there's a requirement that they maintain a hardcopy of supporting documents, verification documents, documents that verify that any account they're reporting negative about you is indeed your account. This was inserted in the law because studies have shown that seventy to ninety percent of all credit reports contain errors.

So the law simply requires the credit reporting agency, if they're going to report something negative, to have on hand a document verifying that that is indeed your account. We're talking something about, along the lines of a copy of your original credit card agreement with your signature, something like that. But the credit reporting agencies absolutely do not do this. It's not that the documents aren't available; the documents are readily available. Your creditor has the documents, but your creditor, the credit bureau, are different entities, and the credit bureau does not have the required documents. Again, they could get them, but they simply don't.

We have a series of letters that we send to the credit reporting agency where we challenge them on the fact that they do not have the verification document. We ask them where is the required verification document that the law requires you to have. Either produce the document or remove the negative

reporting, or be sued, and that's what the provision of the law is.

In the nine years that we have been doing this part of the process, we have worked with over 48,000 families, and not one single time, not one single time, have the credit bureaus produced the required verification document. They don't have them and they're simply not going to get them. We're incredibly effective at getting anything negative knocked off your credit report. In the next video I'm going to explain to you how we deal with the debt itself.

83. The foregoing is deceptive in at least the following ways: ceasing payment of consumer debt is the surest way to destroy instead of restore credit; CCDN's program is not significantly different from any other fraudulent credit repair scheme; credit reporting agencies are not required to keep original signed credit agreements on file; and CCDN's program is completely ineffective at getting any correct negative information off of anyone's credit report.

84. <http://video.yahoo.com/watch/1875763> is Mr. Lindsey's video titled "How We Challenge Your Creditors and Win (#3 of 6)," originally posted 29 January 2008, transcription verified on 11 August 2009:

We deal with the debt itself in two ways. We go after both the original creditor that issued the debt, and we deal with the debt collector. We go after the debt collector that ends up with the debt. In this video we're going to talk about the original creditor.

We have a proprietary letter that we send your original creditor where we challenge them on the validity of the debt. We challenge them to prove that a valid debt ever existed. We challenge them to prove they ever lent you any money, using generally accepted accounting principles. Now they absolutely cannot do that.

Now I know that sounds odd, because you know you got the credit card, and you know you spent the money. But it has to do with how banks work. Banks work very differently than people understand. The bank works very differently than the bank itself represents, in terms of what it actually does. You see, banks don't lend the money. Banks create money. It's an entirely different kind of process.

In this country, under the Federal Reserve System, we operate with what's known as a fractional reserve lending system. It works like this: Let's say you have a thousand-dollar CD in a bank. Right now the bank would pay you about five percent. Well, most people think the bank takes my thousand dollars, turns around and loans it to somebody else, at maybe ten, twelve, fifteen percent,

whatever the bank can get, and the bank makes money, or the bank's profit, is in the spread, the difference between what it pays for the money, what it can lend the money out for.

And that's absolutely not how it works. Under this fractional reserve lending system, a bank is allowed to lend ten times its reserves. So here's what they do: They take your thousand dollars, they reclassify it as a reserve. That now allows them to make ten thousand dollars in loans on your thousand dollars, to literally create nine thousand dollars of brand-new money. The money that you borrow from the bank doesn't even exist until the moment you borrowed it. It ceases to exist when you've paid it off. But while it's in existence, they're charging you all kinds of interest and fees.

Now you begin to get a picture of why banks are highly profitable, why they're literally building a bank on every corner. If you and I could do what banks do, we could become rich. But if you and I attempt to do what banks do, they're going to lock us up, because it's called fraud. You can't lend something you don't have—unless you're a bank. But the banks certainly don't disclose all this to you, and it's not that this is not public information. What I'm telling you is very public information. It is simply not common knowledge.

And the banks don't want you to really understand this process, because banks know, if people understood how this actually works, they would be outraged at banks charging people 30 or 35 or even 40 percent interest on money that was literally created out of nowhere. So we challenge the bank, we challenge the bank under the Truth In Lending Act and the Fair Credit Billing Act.

Now sometimes—sometimes—when the bank gets our letter, they will zero your debt out, and that's the end of it, but that's not normally how it works. That's not what we expect to happen. We send the letter for two reasons. We're establishing some legal ground that's going to benefit us later. Secondly, we are looking to hasten a natural process.

What we expect the bank to do is simply get rid of your debt. Now they're going to do that anyway. When you cease paying a bank, and you haven't paid them for six months, by law they have to write your debt off. They gotta charge it off, they've got to take it off their books, as a performing loan. Now when that happens, the bank suffers no financial detriment.

You see, the bank has insurance on your debt. You have paid the premium for that insurance in your annual fee. The bank even makes a little money. It gets a very generous tax credit for the bad debt, and then it turns around and sells the collection rights for the debt off to a debt collector, a collection agency, collection attorney, for a few pennies on the dollar. So the bank is made whole, and they're out of the picture, and in comes the debt collector, and that's what I'm going to talk about in the next video.

85. The foregoing is deceptive in at least the following ways: CCDN's dispute letters do not raise any lawful dispute; GAAP is irrelevant to the validity and enforceability of consumer debt as between debtor and creditor; banks are not literally building branches

on every corner; bank lending and expectation of repayment at interest is not fraud; money lent does not come out of nowhere, and must be repaid; banks never zero debt out in response to TCCS's letters; banks do suffer financial detriment when debtors default; not every consumer account is insured against default (and even if they were, the insurer would then lose real money); banks get only tax deductions and not tax credits when debts go bad (and even if they did get tax credits, the taxpayers would then lose real money); banks do not always sell defaulted accounts but sometimes keep them and collect them; and banks are not made whole after default by taking tax deductions and selling bad debts for pennies on the dollar.

86. <http://video.yahoo.com/watch/1880047/6176377> is Mr. Lindsey's video titled "Dealing with Debt Collector Harassment (#4 of 6)," originally posted on YouTube 30 January 2008, transcription verified on 11 August 2009:

When the debt collector enters the picture, there's another federal law that comes into play. It's called the Fair Debt Collection Practices Act. It's a law designed to prevent abuses in the collection industry, but it's a law the collectors ignore. They ignore it because they know you don't know the law. Or maybe if you know a little bit about the law, you have no means to enforce the law.

And frankly they ignore it because there's just a lot of money in debt collection. Debt collection is a highly profitable business. You see, they buy your debt for two to five, maybe ten cents or so on the dollar, but they come to you looking to collect not even a hundred percent of what the debt used to be, because they're going to add their own interest, fees, and penalties. And they're going to want to collect 120, 150, maybe 200 percent or more of the original debt, and when you pay a debt collector, you're not paying your creditor.

Your creditor is already out of the picture. You're simply putting profit in the hands of the debt collector. And that's why they're so aggressive. That's why they will literally lie, cheat, steal, they will use fear, harassment, intimidation. They'll do whatever they can do to get you to pay because it goes in their pockets. But when they do the things that they do, they violate this federal law, this Fair Debt Collection Practices Act, and they can be held accountable, and they all violate the law.

There's no such thing as a debt collector that does not violate the Fair Debt Collection Practices Act. For instance, one thing they all do—let's say one of your accounts is with Bank of America. Well, you quit paying Bank of

America, Bank of America writes your debt off, they sell the collection rights to the debt collector, and the debt collector calls you and says “Mr. Jones, I’m calling you about this money you owe Bank of America.”

Well right there, he’s lying to you. He’s violating the Fair Debt Collection Practices Act because the truth is, you no longer owe Bank of America anything. You see, Bank of America has gotten paid, because we talked about that. They got their insurance money, they got their tax credit, and they’ve sold the collection rights to the debt collector. On their books, your account will now show a zero balance. In fact, if you were to call Bank of America at this point and say “Oh, I’ve just won the lottery. I’d love to pay off my credit card debt,” they would tell you they could not take your money. They would refer you back to the debt collector. And that’s because you don’t owe them anything.

Well, the debt collector doesn’t want you to know that. Nor does he want you to know that he bought your ten thousand dollar credit card debt for three or five hundred dollars, because he’s going to come to you and say, “Well Mr. Jones, it was ten thousand, but now it’s twelve or thirteen or fourteen or fifteen because of interest, fees, and penalties,” whatever number they come up with. “But I tell you what, if you can come up with some money in the next few days, we can go ahead and settle this for nine or ten or eleven,” again, whatever number they come up with. Well obviously, if you could buy something for three or five hundred dollars, and sell it for nine or ten or eleven thousand, wouldn’t that be a pretty decent profit margin?

Well, that’s exactly how the debt collector operates. But the debt collectors’ standard method of operation is in violation of the Fair Debt Collection Practices Act. In the next video, I’m going to talk specifically about additional violations of the Fair Debt Collection Practices Act and how we hold them accountable.

87. The foregoing is deceptive in at least the following ways: not every debt collector violates FDCPA as to every account; not every debt collector has purchased the debt; some debt collectors are acting as agents for banks and other creditors; banks do not get insurance payments and tax credits when they write off debt (and even if they did, the loss would not disappear but would transfer to insurers and taxpayers); and CCDN does not hold debt collectors accountable for violating FDCPA.

88. <http://video.yahoo.com/watch/1880063/6175311> is Mr. Lindsey’s video titled “Fair Debt Collection Practices Act (#5 of 6),” originally posted on YouTube 30 January 2008, transcription verified on 11 August 2009:

When the debt collector lies to you, when he misrepresents who he's collecting for, he misrepresents he's collecting for the bank as opposed to collecting for himself, he violates the Fair Debt Collection Practices Act, and there are so many other things that he does that are in violation of this law.

When he calls you multiple times a day, making your phone ring to the point of harassment, every single one of those calls could be violations of the Fair Debt Collection Practices Act. When he calls you too early in the morning, too late at night, when he calls you at work when you've asked him not to, when he calls your friends and neighbors, having them bring little notes to you, those can be violations of the Fair Debt Collection Practices Act.

The debt collector becomes abusive on the phone. He'll start off being nice, but you don't pay, they'll turn ugly. Abusive language is a violation of the Fair Debt Collection Practices Act. When the debt collector threatens you with something he is not legally empowered to do, he may threaten you with wage garnishment, or putting, taking your house from you, or getting you fired, or all kinds of things they may come up with. Well, until he's legally empowered to do so, it's a violation of the Fair Debt Collection Practices Act to threaten you with something he's not yet legally empowered to do.

If he threatens to put you in jail, well rest assured that he can't do that. There are no debtor's prisons in this country. It's not against the law to [sic] pay your credit card debt, but a lot of times debt collectors will threaten you with things like that, because it's effective, it scares people. Well, that's not only a violation of the Fair Debt Collection Practices Act, that's against criminal law. It's actually a criminal, a crime to threaten you with criminal prosecution for a civil offense in many states.

There's so many other things that the debt collector does, and we help them along. We send out little dispute letters, for instance, and when they get our dispute letters, our requests for validation of the debt, and they don't properly respond, those are violations of the Fair Debt Collection Practices Act. When the debt collector continues to try to call you and collect from you, after getting our validation letter and not properly validating your debt, those are additional violations of the Fair Debt Collection Practices Act.

And every single time the collector violates the law, every single time, no matter how small, how technical, it's worth a minimum of a thousand dollars, plus attorney's fees, plus actual damages. And that's just on the federal level. There are corresponding state laws in most states where we can sue the debt collector on the state level as well.

So here's what we do: We document the things the debt collector is not supposed to do that he does. Now obviously you have to participate in this process. You've got to fax to us any correspondence you get from the debt collector. We want you to talk to the debt collector. Now we're going to tell you exactly what to say, how to handle the phone call, but every time you talk to the debt collector, he will violate the law. You can either record the phone calls or simply take notes.

We're going to build a violations file that we will then turn over to an attorney who's a member of our network that's in your area, who will file a

federal lawsuit against the debt collector, who will file what's known as a federal complaint. We will sue the debt collector in federal court, and perhaps in state court as well.

When that happens, when we file the lawsuit in federal court, well, the tables have now been turned on the debt collector, and the debt collector is calling us, wanting to know how he can settle this. These debt collectors are highly motivated to get rid of these federal complaints. Now remember, he buys your debt for a few pennies on the dollar. He's bought lots of debt on lots of people. He's looking to collect from as many people as he can, as cheaply as he can. Well, when we've taken your case to federal court, we've sued him. All of a sudden, your case becomes very expensive, very complex. Plus, he can't defend it, he's broken the law, he knows he's broken the law.

So he's calling us and wanting to know how he can settle it. You see, these federal complaints also negatively impact the debt collector's state licensing requirements and other aspects of his business, so he wants this to go away. He wants to know how he can settle it. In fact, these things normally settle within 30 to 60 days of the filing of the federal complaint. Well, when the debt collector calls us wanting to know how it can be settled, we can settle it, but here's how it's settled.

Number one, the client's debt, your debt, is reduced to zero. Number two, the client, you, are marked paid as agreed at the credit bureau. Number three, there are no tax consequences, so there's no 1099s issued. And number four, we're going to collect some money. We're going to get some damages from the debt collector, based on the documented violations of the law.

We normally collect somewhere around four to seven thousand dollars per account. Sometimes it's a lot more, depending on what they've done. This is over and above the reduction of your debt to zero. Now whatever we get, 75% stays with our attorneys, that's where our guys get to make a little money, but 25% of it comes back to you.

So by the time this process is over, again roughly 12 to 18 months, your debt is gone, you've got an excellent credit rating again, and you've recovered some money, maybe got your fees back, put a little money in your pocket, but the main thing is, you've got your financial life back. In the very next video, I'm going to talk about what the next step for you to take is.

89 . The foregoing is deceptive in at least the following ways: debt collectors are often not lying when they claim to be collecting on behalf of the original creditor; wage garnishment is legal in many states; debt collectors may lawfully ignore cease-communication and validation demands from nonlawyer third parties such as CCDN; the \$1,000 statutory damages under FDCPA is a maximum not a minimum; most courts have ruled FDCPA's \$1,000 statutory damage maximum to apply only once per lawsuit per

defendant, not once per violation; engaging debt collectors in phone conversation is extremely stressful and upsetting and may result in the collector convincing the consumer to make unnecessary payments; CCDN has very few lawyers in its network (and those it does manage to recruit will soon realize that CCDN is the problem and will advise clients to sue CCDN); FDCPA lawsuits do not always settle and may take far longer than 60 days if they do settle; FDCPA lawsuits do not normally result in elimination of the underlying debt; forgiveness of debt can cause adverse tax consequences; FDCPA lawsuits need not be brought in federal court but can be brought in state court, and allowing the consumer to keep only 25% of any recovery is in most cases a clearly excessive contingent fee.

90. <http://video.yahoo.com/watch/2792925/8102562> is Mr. Lindsey's video "So-called Christian Debt Counseling," transcription verified on 11 August 2009:

Perhaps you've seen websites that advertise Christian debt counseling or nonprofit debt counseling. Be careful. A name can be deceiving. Number one, only people can be Christians, not companies, not corporations, and the fact that someone claims to be nonprofit doesn't necessarily mean that they're so. A lot of times what we find is that many of these organizations are wolves in sheep's clothing, clothing themselves in these terms, Christian, nonprofit, as a means of fleecing the flock. [Note: Mr. Lindsey is wearing a shiny Christian cross pendant this whole time.] Be very careful. I'm a believer, I'm a follower of Jesus, but do business with me because what I say makes sense. Now I'll be happy to pray with you and minister to you in any way I can. But do business with me because I can help get you out of debt. We've got a process that actually works. That's what makes the difference. It's like if you had brain cancer and I have a surgeon to operate on you. It might be important that he be a Christian, yes, but probably what's more important is that he knows what he's doing and he's the best surgeon available. Wouldn't you agree, that's the case here.

91. The foregoing is deceptive in at least the following ways: regardless of his or their private and sincerely held religious beliefs, Mr. Lindsey and CCDN are themselves as deceptive and fraudulent as any alleged debt relief organization can be; the program he is

selling does not actually work but in fact gets its customers into far more debt and misery than before; and, Mr. Lindsey cannot possibly be available to pray with and minister to the 48,000 families that he claims to have helped.

92. Mr. Lindsey has made more than 30 other videos selling CCDN's program, transcripts of which constitute Exhibits A and 19 in NCED 7:09cv81-F.

Fraudulent "Debt Relief" By Many Names

93. Though its main approach is instructing its customers to dispute their debts on frivolous theories, cease paying all debts, and provoke debt collectors into committing enough violations to offset their debts and generate leverage to force creditors to delete negative information, CCDN is in fact directly or indirectly selling virtually every variation of fraudulent "debt relief" known to man, often expressly disavowing a technique as bogus on one site, and then offering it for sale on another site, or even on different pages of the same site.

"Debt Elimination"

94. <http://www.ccdnlaw.com/index.php?D=20>, CCDN's official FAQ page, answers the question "How do you eliminate my debt?" with the assurance: "Please understand that this is not a 'Debt Elimination' process."

95. http://nomoredebt.cc/american_faq.asp then mentions "each credit card account in the Debt Elimination program," and <http://nomoredebt.cc/audiox.asp> enables download of several audio files, including an FSEI conference call in which Mr. Lock participates, which claims that FSEI is "the only debt elimination company out there that has actually used MBNA's arbitrating company," and the introductory audio pronounces near the end that "We are in the full service debt elimination arena here."

96. Also, http://bankruptcyprotection.com/The_CCDN_System.php claims: “The core of the CCDN is a set of legal document templates that have been developed over the past 10 years. These templates, backed by a nationwide database of federal and state statutes, rules and case law citations, present a solid defense to any unsecured credit complaint.”

“Ultra Vires” and “UCC Redemption”

97. <http://www.ccdnlaw.com/index.php?D=20> continues: “We have seen all of the processes out there, from UCC Redemption to Ultra Vires ... While some may work for a time, they all ultimately suffer the same fate--Failure--and in more and more cases, Sanctions.”

98. <http://www.8882684397.com/>, however, posts a speech by Mr. Lock in which he claims: “I filed a motion for summary judgment, and in that motion, I said that this case should be thrown out and judgment should be entered on behalf of my client because the bank acted ultra vires to their corporate charter because they don’t even have the authority to issue credit cards, and therefore they can’t come in and claim a contract on a credit card.”

99. <http://nomoredebt.cc/audiox.asp> also sells UCC redemption and records Mr. Lock saying himself in the conference call: “I base all of my objections on age-old precedents in contract law and in the Uniform Commercial Code.” In the introductory audio, Mr. Lock’s agent Eugene refers to the “Uniform Commercial Code, Section 1-201(24), and again, Section 3-104.” Admitted nonlawyer Eugene further assures in the same recording: “Next one is Merchants Bank versus Biard (sp?), a national bank cannot lend its credit to another by becoming surety, endorser, or guarantor for him, such an act

being, key word, ultra vires.”

“Mortgage Elimination” and “Loan Modification”

100. <http://www.ccdnlaw.com/index.php?D=20> answers FAQ 37, “Does this work on secured home mortgages or auto loans?” with: “No, this process is restricted to unsecured credit accounts.”

101. But <http://www.fixcredits.com/debt.html>, the “Debt Eliminator” page of this CCDN marketing site, promises: “Eliminate all of your debt including your mortgage.”

102. <http://www.gogetoutofdebt.net/programs/modification.asp> says: “Loan Modification is a solution for individuals or families with steady income, but find themselves having trouble making mortgage payments.”

“Credit Repair” and “Credit Reconciliation”

103. <http://www.ccdnlaw.com/index.php?D=20> answers FAQ 44, “Is credit repair the same as credit reconciliation?” with: “No. We only offer credit reconciliation. We do not offer or provide credit repair as part of the CCDN process.”

104. http://www.legallyresolvedebt.com/credit_repair.htm, however, offers “Attorney Facilitated Credit Repair.”

105. <http://consumersolutions101.com/The%20CCDN%20System.htm> posts a “Legal Debt Cure Audio Overview” recording that almost immediately claims: “CCDN stands for Credit Collections Defense Network and was formed by attorneys Robert Lock, Jr. and Philip Manger to provide the best in expert debt reconciliation and credit repair.”

“Debt Reconciliation” and “Debt Settlement”

106. http://www.attorneydebthelp.net/debt_resolution.htm says: “Debt Resolution is not to be mistaken for Bankruptcy, Settlement, Debt Elimination or Debt Consolidation

as those utilize different laws and are often not as beneficial to the consumer.”

107. <http://www.gogetoutofdebt.net/programs/settlement.asp>, however, assures: “Debt settlement is a legitimate way of solving your problem without the need for bankruptcy.”

“Commercial Debt Relief”

108. <http://www.ccdnlaw.com/index.php?D=20> answers FAQ 37, “Can I place Business cards into the program?” with: “In addition, this process only works on consumer debt and can not work on accounts that are associated in any way with a business or accounts that were not primarily used for personal purchases.”

109. <http://www.gogetoutofdebt.net/programs/commercial.asp>, however, promises: “Commercial Debt Relief is for companies that need help managing business debt obligations.”

“Reduce or Remove Student Loans”

110. <http://www.ccdnlaw.com/index.php?D=20> answers FAQ 37, “Does your process deal with student loans?” with: “We do not currently have a process in place to deal with these loans.”

111. <http://consumersolutions101.com/The%20CCDN%20System.htm>, titled “The Legal Debt Cure with The Credit Collections Defense Network (CCDN),” however, promises to “Reduce or Remove Unsecured Debt” of 12 types including student loans.

112. Also, http://bankruptcyprotection.com/The_CCDN_System.php claims, without excluding student loans: “The core of the CCDN is a set of legal document templates that have been developed over the past 10 years. These templates, backed by a nationwide database of federal and state statutes, rules and case law citations, present a solid defense to any unsecured credit complaint.”

“Don’t Appeal Default Judgments--Call Us Instead”

113. <http://www.ccdnlaw.com/index.php?D=20> answers FAQ 40, “Can you assist with a default judgment?” with: “The critical time for dealing with default judgments is within 30 days of the entry of judgment. After that, the threshold for vacating default judgments can rise substantially.”

114. <http://nomoredebt.cc/audiox.asp>, however, records a telephone call from Melanie, a Florida consumer, who had a money judgment in favor of Citibank entered against her almost a month ago, so Mr. Lock should have advised her of the immediate need to file a notice of appeal before the 30-day jurisdictional deadline, but instead, Mr. Lock launched into a long and completely erroneous speech claiming that Citibank’s affidavits are always defective, therefore the Florida court had “no basis on which to issue a judgment, and that judgment is void of its own weight,” even though he knew that judgments are only void if the court had no jurisdiction to enter them, and failure to contest affidavits is not a jurisdictional defect, thus dissuading Melanie from doing the only thing that would have actually helped her, and instead letting his colleague Art tell Melanie that all she needed to do was send in her information to CCDN marketer FSEI (doubtless along with CCDN’s customary \$4,500 advance fee), and all would be well.

“Novation” or “Assignment”

115. http://consumersolutions101.com/debt_resolution.html posts “Debt Relief Audio Overviews” explaining the following scheme, commonly known as “assignment” or “novation,” to trick creditors into giving up their rights to timely and full repayment of principal and interest, which will not work because most creditors write provisions in their credit agreements forbidding such chicanery, and also this approach would count as

an unfair and deceptive trade practice and no court would approve of it, and in all cases provides no debt relief and leaves its victims far worse off than before (and also tells Plaintiffs not to talk to debt collectors, contrary to Defendants' instructions elsewhere to provoke and endure as much debt collection abuse as possible to rack up damages):

Hello, and welcome to the audio overview for the debt resolution process. We are excited to offer you assistance in what we believe is the safest and most effective consumer debt relief process available today. This process has been used over the last seven years to help people offset thousands of accounts to the tune of millions of dollars. And just to make things clear, we work for you. We do not work for your creditors, your bank, or your credit card company. This is not debt consolidation, debt settlement, debt reduction, mortgage refinancing, bankruptcy, or some other payment plan that can drag on and on. Other processes can easily last up to seven to ten years. If you know that you need help dealing with your debt, we encourage you to consider this option. You'll find it hard to discover anything else that helps you keep this much money in your pocket while easing the burden of your debt.

What we do is quite simple, yet very effective. We actually work with you and become a part of the picture through assignment of your debt to us. This doesn't mean that the debt is no longer yours; it means that we're involved with you, and our name is now on the dotted line along with yours. We then apply the principles of consumer protection law and basic contract law to make the agreement or contract with the creditor more favorable for you. Most types of unsecured debt can go into the process. Major credit cards, signature loans, store cards or gas cards, business or personal, and several types of student loans.

When you pay for your enrollment fee and submit your paperwork, you also provide us with enough money to make one more minimum payment on each account with the original creditor, plus an additional \$43 per account with the original creditor as well. These are one-time payments. If you're current on your payments, you just provide us with the minimum payment you would have sent to your creditor plus the \$43. If a minimum payment is less than \$50, you need to bump it up to 50 so you can show a substantial payment, but if you're behind on payments and the creditor is asking for double or triple the normal minimum, you don't have to provide the whole thing. Ask your agent for details. So for an example, if you have a balance of \$10,000 on an account, your monthly minimum is probably going to be around \$250 to \$300, so you'd provide that amount plus an additional 43. Again, this is a one-time payment.

We use the payments to offer a new payment on the account and use the \$43 as consideration. These minimum payments will be sent to us at the same time that you fill out your paperwork and send the enrollment fee to get started. If an account is with a collection agency and no longer with the original creditor, you don't need to provide the minimum payment or the \$43 per account. We will still work on the account to offset the debt, but we use slightly different methods

that don't require those payments.

We focus mainly on the principles of contract law. Here's how it happens. You're probably aware that in the contract you have with your credit cards, there's a clause that says they can basically change the terms and conditions whenever they want to, right? Well, what's good for the goose is good for the gander. What we do is become involved through a notice of assignment, with their acknowledgement, and change the terms and conditions so they're better for us rather than being only good for the creditor.

When you're filling out the paperwork to get started with us, get out your credit card statements as well. Let's say you have one from XYZ bank. What you need to do is take out any ads but leave in the entire statement unmarked along with the return payment envelope. Slip that back into the original letter envelope they sent to you, and put the whole thing in a bigger envelope along with the other forms that are required, and send it to us.

When we receive your statements along with your payment, we will deposit your check made out to us. We use one of our own checks made out to XYZ Bank for the minimum payments. When we send it to them, we also include an offer of new terms and conditions so they can agree to the new contract. We've done this for years with literally thousands of accounts. We have never had a national or regional bank reject the contract.

Here's another way to understand this. I'm sure at one time or another, you've gotten a check in the mail, probably out of the blue, for 10, 20, \$50, that on the back where you endorse it, there's fine print that says, if you cash this check, then you're agreeing to this or that, whatever their service is. This is basically the same idea, except we're doing it to them instead of them doing it to us. Once they cash the check, they've accepted the consideration and are agreed to the new terms and conditions. Those terms and conditions, that new contract are what help us resolve and/or offset the debt.

We'll also fill out an official form that's notarized and signed by both parties that says you're assigning the debt to us, so you have something in your hand, but, the new contract is what actually assigns the debt to us, because it's something that the creditor actually agreed to. The statements will start coming to us as well. The contract now says they are not allowed to charge any interest rate. It says that the minimum monthly payment is now \$10 a month. It says that they are not allowed to charge any late fees, they're not allowed to put any negatives on your credit report, and if they ever have put any negatives on your credit report, they have to take them off. So there is term after term that's now in our favor rather than theirs.

The new contract also says that if they break any of the terms, they agree to a financial penalty of anywhere from 500 to \$2,500 per occurrence. You know how right now if you send in a payment late to your credit card company, then they'll charge you a late fee? You're paying a financial penalty because you broke the terms of the contract. Now again, this is exactly the same thing, except they're getting a taste of their own medicine, and we do it because they agreed to the new contract.

The main goal of this procedure is to offset the debt, because even though

they accept the new contract and perform on it, they'll probably act as if they're still under the old contract, and even though they accept the new contract by cashing the check, when the next statement comes out, it's probably going to show that they're asking for more than the \$10 minimum payment, and they've charged a late fee, and they're asking for more than 0% interest. According to the new contract, they just broke the new terms three times on that one statement, so we're able to apply three penalty fees.

For the next several months, we'll be able to use that \$43 you provided to send them payments of 10 to \$15 per month, and based on past experience, every time they send out a new statement, there are likely three or four term violations on there, so those penalty fees are applied over and over. Please understand when we take on the account, you are simply paying to act on the debt for you by assigning it to us. We will continue to make payments as long as necessary or there's a balance to offset, and in the end, the credit card company has agreed to that, but they simply don't follow the contract. When we take on the account, even though it may have a balance of \$10,000, after four to six months, because they keep on breaking the terms of the new contract, they'll end up owing us several thousand dollars to go after them for that amount, so who knows, in the future we may, but for now we don't. That isn't the point.

The point is to get rid of the debt by offsetting that amount, and we can use the money they owe us for the leverage to retire the account. Realize that contract law boils down to the very basics. There are four parts to contract law: the offer, the terms, the acceptance, and the performance. We've made an offer of a new contract. The terms and conditions are spelled out right in front of them, and the acceptance is when they cash the check. From that point on, every time they send a statement to us and every time they accept a payment from us, they are showing performance on the new contract. We also show performance every time we send those minimum payments of 10 to \$15 a month.

So now we have a contract that's spelled out, both parties have accepted it, and the parties have been performing on it for months now. Go ask any judge or lawyer and almost any one will tell you it's pretty cut-and-dried at that point. It's a valid contract and it's too late for one of the parties to come back and say wait, I didn't really want to have that term in there.

Now the way we used to do this was provide the contract with all the letters and forms, and the client would change their own terms and conditions and so forth, with our help and support. What we found was with about 5 to 10% of the accounts, the credit card company was bringing a lawsuit against the client. They didn't really have a legal leg to stand on. It was pure intimidation, but even though we would walk someone through what to do, most people didn't want to deal with fighting a lawsuit, even though they were in the right, and they could expect to win. That's why we switched to handling everything for the client and taking on the debt with you.

Now, if the credit card company tries its intimidating tactics and serves a lawsuit, we can normally prevent that from happening. On the rare occasions where a lawsuit happens, you actually have legal grounds for defense, and we can help you there also. The contract now shows that they are the ones that are in

violation of the contract, not you. If they sue in that situation, the leverage is on your side, not theirs. The creditors are starting to realize this, so a lawsuit is simply not something you should have to deal with or fear being faced with.

You should probably allow six to eight months for the debt to be offset. If the account is with a collection agency, we use consumer protection law. We dispute the debt, which means that they are then required to give proof that they are entitled to the money. They aren't. They bought the right to collect on the debt, but that does not mean you have a legal obligation to pay them anything. You've never had a contract with the collection agency. They've never provided you with any goods or services, and they can't show any consideration toward establishing a contract, so with a collection agency, the method is different. We aren't actually taking on or assuming the debt, but the end result is typically the same. The debt goes away.

There are two things that you should be aware of. First, you'll get collection calls. That's just part of the process. Remember, we usually will send the first minimum payment intentionally late to get everything started. If collectors start calling, most people just ignore the calls because they have caller ID. But if you want to minimize the calls, pick up the phone and tell them I don't handle financial matters over the phone, send it to me in writing, and then hang up on them even if they're still talking.

We recommend you do not talk to the collector. You don't have to talk to them and there's little good that could come from it. They're just there to intimidate you, to scare you, and to try to trip you up and try to get you to say something they can use against you later, so we recommend that you do not talk to the collectors. Telling them that statement and sending them the form we provide usually does the trick. It's unusual to still get many calls after that. Now if you do, drop us a line and let us know. We can actually get the calls to stop if they continue.

When you get something in the mail about one of your accounts, whether it's a statement from the creditor or a letter from a collector, just put it in an envelope and send it to us immediately so we can address it. And again get the address on the account switched over to us, and you generally won't get much written communication after the first couple of months. Remember that even though we can offset the debt, that doesn't mean the creditors don't want your money, it just means they no longer have a legal right to the money.

You also may get calls when the bank sells the account to a collection agency down the road. Again, this is normal. Our process won't stop accounts from going into collections. However, on the accounts that we get involved for a new contract, we can show that legally, there is no debt to pay. Just send the collection agency the same statement. I don't handle financial matters over the phone, send it to me in writing, and hang up even if they're still talking. They are required whenever they take an account to send a collection letter to you within ten days. When you get it, just forward it over to us and we contact them directly. Within a couple of weeks, you shouldn't hear from them again. So again, your role is simple, but very important. Send us anything you get in the mail--statements, letters, anything--immediately.

Now the second thing is, expect negatives on your credit report. Now remember that putting negatives on your credit report is against the terms of the contract, but also remember that one of the main reasons we are successful in the first place is because they don't follow the new contract. They will usually still act as if they are still under the original contract, and we let them do so until the penalties have offset the original debt. That means that they are incorrectly reporting that penalties are racking up and you are behind on payments, when under the new contract, that is actually not the case.

So after you send us all your statements with your payment, go forward on your calendar about ten months and put an X there. When that day comes, pull a simple credit report on yourself from all three of the agencies and send them to us. From there, we can determine whether the accounts are offset, and apply the rest of the penalty fees to the creditor.

As for the negatives on your credit report, if you can show that something on your credit report is a mistake, then it's against the law for the credit reporting agencies to leave it there. It has to be removed. We can give you the documentation and the instructions that you'll need to show the credit bureau, or we may assist you or refer you to another company that can help you. So allow about ten months from when you get started for the debt to be offset, and you can begin to work on strengthening your credit.

That's pretty much it. Thanks for taking the time to listen and explain your options for resolving your debt. We wish you good luck in whatever choices you make. We encourage you to get back to the agent that referred you to this conference call. They'll be able to tell you the enrollment fee for your situation and answer any questions you have. Thank you.

“We’re Christians Too, and the Bible Says ...”

116. <http://www.fsei.cc/> on its “About Us” page claims: “Financial Solutions Educational Institute is a non profit [IRC Section] 508(c)(1)(A) educational church ministry, our prayer at FSEI is that you will take some time to patiently & thoughtfully explore this site as we attempt to share what we have learned from hundreds of hours of study of both the Bible (God’s revealed word) and the moral issues surrounding the FSEI Debt Relief Program.”

117. <http://www.nomoredebt.cc/audiox.asp> posts an audio titled “The Moral Issue,” which attempts to deceive evangelical Christians by misrepresenting the nature of the banking system (especially begging the question that if the bank always allegedly sells

the cardholder's deposit slip, then why does the new owner never try to collect for himself but just lets the bank collect twice?) and then misrepresenting the Bible to endorse refusal to repay debt, transcribed as follows:

Hi, my name is Rod Seeger (sp?) and I'm so glad you made this call today. Back in July 2002, my son was over \$40,000 in credit card debt. My first response was, there's only one way out, and that's bankruptcy. Then I remembered an email that I had received from someone a year earlier, saying that I could ethically and lawfully eliminate credit card debt. At the time I thought, you have got to be kidding me, right? Fortunately, I saved the email. I called the person and started doing my research. It all seemed to make sense, but there was one problem.

Being a Christian, and the pastor of a Christian church, I was deeply concerned with the moral implications of eliminating the debt. After all, you received goods and services, so how could you just walk away from the debt? If you receive something, then you're obligated to pay. If you don't pay, then someone's going to be hurt. This was the issue that was confronting me.

However, as I researched further, I realized that the bank was the one with the real moral problem, because every time I signed that credit card slip, the bank stamps the back of it "pay to the order of" and deposits it into a transaction account in my name, and then sells that note and funds the cost of the proceeds. In other words, they pay the merchant from the proceeds of the sale of my asset. That is not a loan. That's an exchange. They exchanged your promissory note, the card slip, for payment to the merchant. The bank loaned me none of their own assets, and none of their deposits are money. Therefore the bank was not at risk for anything and it did not cost the bank anything.

Now, through the card agreement, they extort from us a monthly payment, plus exorbitant interest, and ridiculous late payment penalties for an alleged loan, which is already settled from the proceeds of the sale of the card slip. Now let me ask you this: Would you enter into the card agreement if these material facts were disclosed to you? Let me put it this way. If you came to me for a loan of five thousand and I said sure, give me a check for five thousand, and then I took that check and deposited it, withdrew the cash and gave it back to you, and then said to you, now you owe me every month plus interest, would you accept that as a loan? You have to be crazy to do that. You would not accept that, because you were the one that provided the asset in the \$5,000 check, and that's exactly how credit card loans work.

Let me put it another way. Let's say you bought goods from me for \$5,000. You owe me \$5,000. Instead of giving me cash, you gave me a card as an asset, and told me to sell it for 5,000. I then sold the card as an asset, but then you came back and said to you, you owe me 5,000, and you have to pay me every month at interest. Would you accept that? I think not. That would be fraud. Well, your signature on the credit card slip is just as much an asset as the card that was sold to pay the debt. So the debt was settled the moment the bank sold your asset, in

other words, your signature. What most people struggle to grasp is that their signature on the credit card slip is the asset that they provided, and the bank accepted it as an asset by depositing it into an account in your name. Any deposit that a bank receives is recorded as an asset. Anything that can be sold for cash is an asset. They sold your signature asset and paid the merchant. That means you provided the funding of the card, just like you did in my 5,000 check example, that you would not enter into because you are not crazy.

Now, none of this information was disclosed to me in the card agreement. It was purposely concealed from me. That's contractual fraud. According to the law, there has been a concealment of material facts that would have affected whether or not you would have entered into the contract, and the contract is null and void. That means it never did exist as a legal and binding contract. It's a fraud. Therefore it is not immoral for me to refuse to perform under such a contract. I can lawfully and morally walk away and refuse to pay another dime.

Now from a legal point of view, I felt it was okay to walk away from this alleged debt, but I needed something more. As a Christian, I need to base my life and behavior on the Bible as God's standard. Since something may be legal from a secular standpoint, yet not necessarily be lawful or moral as far as God's law is concerned, I needed caselaw from the Bible that confirmed to me that I could have relief from a fraudulent contract or to have debt cancelled. Here is what I found.

In the book of Exodus, chapter 16 and verse 2 through verse 3, then again in verse 35 through verse 36, God actually arranged a loan for the Israelites from their Egyptian neighbors. Moses had gone to Pharaoh as God's representative, requested that the Israelites be allowed to leave Egypt after 430 years of slavery. After a series of ten plagues, Pharaoh finally agreed. Pharaoh and God through Moses had a contract, an agreement. God then told them to go and borrow gold and silver from their Egyptian neighbors, to which the Egyptians duly consented. Now since this was a God-arranged loan, God was duty bound to repay it. Scripture says that God is no man's debtor. In Proverbs chapter 19 and verse 17 it says "Whoever gives to the poor gives to God, and God will repay him." So, you know, God always pays his debts.

But the next morning, Pharaoh changed his mind and said, I will go after them and recover the spoil and the gold, which was the gold and the silver. Well, you know the rest of story. God drowned the Egyptian army in the Red Sea. The Israelites crossed over into the wilderness and built a tabernacle in which they worshiped God with the very gold and silver that they had borrowed from the Egyptians. Now here's the thing. There is no record anywhere that they ever paid back that loan. You say why? Well, Pharaoh was in breach of contract. Therefore, God was not duty bound to repay the loan. Pharaoh had broken contract.

In another scripture, Deuteronomy chapter 25 and verse 13 through verse 16, God declared that it was an abomination to God to conduct commerce with unjust weights and measurements. You were not allowed to use deceptive means in commerce. Folks, I have to tell you that based on the concealment in the card agreement that credit card loan is deceptive commerce, and it is an abomination to

God. The scripture also said in Leviticus 19 and verse 11 through 13 that you are not to deal falsely with your neighbor. You are not to cheat or rob him. A credit card agreement is all of these things.

So based on these situations, I believe therefore that it is perfectly moral and lawful to seek relief from your credit card debt. And by the way, seven months after my son entered this program, he received nine binding arbitration awards against the banks and credit card companies for over \$40,000. Now I trust that this satisfies your conscience, and if it does and you're ready to move forward, then get back to the person that sent you to this call. God bless you and congratulations on taking your first steps to becoming debt free.

118. In fact, NoMoreDebt sponsor FSEI is yet another CCDN front personally endorsed by Robert Lock, who seems quite willing to use false religious claims (such as Mr. Lindsey's cross-draped presence in about 40 videos) to sell his program, and the only Bible verses that accurately describe FSEI are those along the lines of: "They devour widows' houses and for a show make lengthy prayers. Such men will be punished most severely." Mark 12:40, Luke 20:47 (NIV).

"Too Good To Be True"

119. Defendants do not themselves believe a word of what they tell Plaintiffs, and do not even try to use their own program to reduce their own debt or improve their own credit.

120. MBNA America Bank on 20 June 2006 in Cook County case number 2005-M1-108580, microfilm MD000761323, obtained judgment, document number 0620510134 recorded 24 July 2006 with the Cook County Recorder of Deeds, on a defaulted credit card against Defendants Robert K. Lock, Jr. (even though he was counsel of record and should have won on his own theories) and Colleen Tomasino Lock for \$29,464.21, which remains unsatisfied, and appeal therefrom was dismissed 01 May 2007.

121. Even Mr. Hagenstein, after several minutes of attempting to convince Alicia on the conference call that CCDN is legitimate, ends up admitting at about 35:56 of the

recording that “this program probably sounds too good to be true, doesn’t it?”

How CCDN Really Works

122. CCDN requires advance payment of thousands of dollars from each Plaintiff to enroll in its process, usually \$4,500, but ranges from \$2,500 to over \$8,000.

123. After receiving the money by instrumentalities of interstate commerce, CCDN requires each Plaintiff to execute a form similar to this one for each account:

Limited Power of Attorney

Know all Men by These Presents:

I, [name], of [address], hereinafter referred to as Principal, in the county of [county] state of [state], do appoint the Credit Collection Defense Network (CCDN) as my true and lawful Attorney in Fact.

In principal’s name, and for principal’s use and benefit, CCDN is authorized hereby to prepare and sign all documents written with the intent of researching, challenging, negotiating, and otherwise corresponding with creditors, debt buyers, debt collectors, lw firms, credit reporting bureaus, and government agencies with respect to the following matters.

[account number and description]

The authority granted shall include all incidental acts as are reasonably required or necessary to carry out and perform the specific authorities and duties stated or contemplated herein, including, but not limited to, the authority to: demand validation and verification of any alleged unsecured debt or obligation, engage certified paralegals and attorneys on principal’s behalf, perform legal compliance audits and consumer claims identification, and refer any valid claims to qualified legal counsel for negotiation and litigation purposes related to the matters set forth herein.

Giving and granting to the CCDN full power and authority to do all and every act and thing whatsoever requisite and necessary to be done relative to any of the foregoing as fully to all intents and purposes as principal might or could do if personally present.

All that the CCDN shall lawfully do or cause to be done under the authority of this power of attorney is expressly approved.

[date] [signature] [notary jurat]

124. CCDN then dispatches or causes to be dispatched through the U.S. Mail or interstate delivery service a letter substantially similar to the following (although Sharon Southwood got a different form letter, transcribed *infra*) to each creditor:

NOTICE AND DEMAND FOR VALIDATION AND ADEQUATE ASSURANCE OF PERFORMANCE—

Dear Sir/Madame:

I recently received your recent unsigned communication. Please regard this letter as a formal written Notice and Demand to ORIGINAL CREDITOR for validation and adequate assurance of performance with respect to the above listed account.

In preparation for this Notice and Demand, I have conducted a full and complete investigation into this matter, and I am of the opinion that ORIGINAL CREDITOR may be in breach of the terms and conditions of the Credit Card Agreement, by its failure to provide either adequate and valuable consideration, or full disclosure of the material terms and conditions of the alleged original agreement, including the nature and extent of any finance charges assessed on the above account. In addition, I have reason to believe that your company has failed to properly credit me for all revenues received by you related to this account. In the event that the application or other evidence of this account was monetized, securitized and/or sold, please provide me with certified copies of all underlying documentation regarding said transactions.

This Notice and Demand should not be perceived as a refusal to pay any valid debt. However, I have questions regarding the validity of the debt you are alleging in the attached billing statement, and in order to determine the validity of your presentment, and continue payment on the above-listed account, I will require certain information to confirm your claim in this matter. To that end, please forward the attached affidavit to the appropriate person in your organization for review and execution. Upon receipt of the signed, sworn affidavit, I will arrange for payments to resume on the above noted account. In the event that you are unable or unwilling to provide me adequate assurance of performance on this account, please send me a billing statement or other communication indicating a zero balance due on the account.

Please restrict all communication with me regarding this matter to writing, and understand that all communications, acts or omissions may be used in litigation, including the filing of grievances and the initiation of investigations at the Federal Trade Commission and other government bodies regarding your non-compliance with the Fair Credit Reporting Act, Fair and Accurate Credit Transaction Act of 2003, and other state and federal consumer protection laws. Your failure to

respond to this Notice and Demand within thirty (30) days will be construed as a waiver of any and all claims regarding the above-listed account, and will act as a confirmation that no further action will be taken on your part with respect to the subject account. Please also take notice that during the pendency of this dispute, no further payments will be made on the account, and the account cannot be sold, assigned, forwarded or otherwise transferred for purposes of the collection of a debt.

Respectfully,

[signature]

125. Accompanying the foregoing letter is a CCDN-drafted affidavit reading substantially as follows:

The undersigned Affiant, being duly sworn on oath, and under penalties of perjury, deposes, states and certifies that he/she is authorized to collect the alleged ORIGINAL CREDITOR account [insert account number] (hereinafter "alleged account"), and has the requisite knowledge of the facts related to the alleged ORIGINAL CREDITOR promissory note/credit card agreement.

I hereby give assurance that the original creditor and financial institution involved with the alleged extension of credit or loan to the alleged customer [CLIENT NAME] (hereinafter "alleged customer"), followed Generally Accepted Accounting Principles ("GAAP"), as required by law and as indicated by ORIGINAL CREDITOR Certified Public Accountant ("CPA") audit reports, as well as regulatory compliance reports under the Sarbanes-Oxley Act of 2002.

I give further assurance that the original lender/financial institution involved with the alleged loan or funding of charges in the amount of the Promissory Note/Credit Card Agreement did not accept, receive or deposit any money, money equivalent, note, credit or capital from the alleged customer to fund a note, check or similar instrument that was used to originate, finance or fund the charges on the alleged credit card account or Promissory Note.

I give further assurance that all material facts regarding the alleged account have been disclosed in the original alleged Credit Card Agreement or Promissory Note.

I give further assurance that all material facts regarding the alleged account have been disclosed in the original alleged Credit Card Agreement or Promissory Note.

I give further assurance that the original Credit Card Agreement or Promissory Note was not altered or forged in any way.

I give further assurance that proper identification processes were followed with

respect to the alleged account according to the requirements of the U.S.A. Patriot Act, and I am able to furnish certified copies of all identification documentation from the alleged customer with respect to the alleged account.

I have personal knowledge of the facts and information in this affidavit, WHEREFORE I hereby declare under penalty of perjury under the laws of the state of [state] that this affidavit is true, correct and complete and if any statements are willfully false, I am subject to penalty.

[signature] [notary jurat]

126 . CCDN sends these letters to the original creditor even if the account was long ago sold to a third party holder in due course, in which event no dispute letter of any form would be of any use whatsoever because the original creditor has no rights to the debt.

127 . CCDN and its partners, employees, contractors, and agents thereby commit mail fraud, punishable by up to 20 years in prison per 18 U.S.C. § 1341.

128 . CCDN and its partners, employees, contractors, and agents directly address many of their “notice and demand” letters to federally insured financial institutions.

129 . CCDN and its partners, employees, contractors, and agents thereby commit bank fraud, punishable by up to 30 years in prison and fines up to \$1,000,000 per 18 U.S.C. § 1344.

130 . CCDN and its partners, employees, contractors, and agents’ pattern of criminal wrongdoing has occurred many thousands of times since 2004 and is still happening every business day with no significant law enforcement interference and no end in sight.

131 . Plaintiffs, that is, CCDN customers, aka clients, subscribers, members, or victims, are innocent and not subject to the defenses of in pari delicto or unclean hands, because Mr. Lock and Mr. Manger hold themselves out, and require their sales agents to hold them out, as attorneys to be absolutely relied on, with specialized knowledge of complex areas such as banking, consumer debt, and credit reporting (indeed, as virtually the only

attorneys in America who understand “how banks really work”), and their advice is sufficiently complex that Plaintiffs are unable to ascertain the illegality of following it.

132. These documents produce no benefit whatsoever to Plaintiffs and will not invalidate any lawful debt regardless of the creditor’s response or lack of it.

133. Upon receipt of such letters, creditors will either ignore them, or correctly respond that the creditor is in compliance with the law, or in lieu of response cancel the consumer’s credit account on grounds that the consumer does not intend to repay any further loans or extensions of credit.

134. No reasonable creditor will extinguish or zero-out any Plaintiff’s debt in response to CCDN’s documents.

135. CCDN, however, falsely assures Plaintiffs that they may legally stop repaying debts at this point.

136. This manifestly incorrect legal advice results in severe actual damage to Plaintiffs, and constitutes gross and willful legal malpractice in any jurisdiction.

137. When creditors then send statements requesting repayment, CCDN dispatches or causes to be dispatched through the U.S. Mail or interstate delivery service substantially the following letter:

[creditor]
[address]
[date]

NOTICE OF DISPUTE

Re: [creditor] [account number]

Dear Sir/Madame:

I am in receipt of your letter demanding payment on the above referenced account

I dispute this debt and refuse to pay it.

Respectfully,

[signature]

138 . The normal result is that the creditor closes the account, adversely reports the account to the consumer credit bureaus, begins collection efforts, and if unsuccessful, retains a third party collection agency or law firm to collect the debt.

139 . However, since most Plaintiffs were in deep debt to start with, and then have paid CCDN or its agents, partners, contractors, or employees nearly all the money they had, or even borrowed the money to pay CCDN, Plaintiffs usually have no money left to repay their rightful creditors.

140 . Many creditors sell the defaulted loan to a secondary debt buyer for about a penny on the dollar, i.e., lose 99 percent of their money.

141 . Most Plaintiffs who stop paying their debts at CCDN's direction are sued by one or more creditors or debt buyers.

142 . Instead of the promised help from licensed attorneys, CCDN provides boilerplate templates for consumers to write their own documents while falsely assuring Plaintiffs that an attorney will take the case soon, or is looking at it, or several are looking at it.

143 . CCDN "paralegals" will sometimes answer questions by email, but such answers are frequently wrong and also amount to the unlicensed practice of law in many jurisdictions, including North Carolina.

144 . Though http://bankruptcyprotection.com/The_CCDN_System.php claims that CCDN's templates "present a solid defense to any unsecured credit complaint," Plaintiffs lose most such lawsuits and have judgment entered against them.

145. Instead of seeing their debts vanish and their credit scores raised to new heights, Plaintiffs are infinitely worse off than before they encountered CCDN, with ruined credit, difficulty finding new jobs, family and marital stress, collection calls, lawsuits, judgments, and sheriffs' levies and sales, and are often left with bankruptcy as their only relief, on top of the humiliation and mental anguish of eventually admitting to themselves and others that they have been scammed out of thousands of dollars, very often the last money they had to their names, and on information and belief, one or more Plaintiffs have attempted or committed suicide.

146. As noted, CCDN and its partners will sell any bogus "debt relief" scheme to anybody who can pay for it, but regardless of the particular variation, whether vapor money, ultra vires, TILA, FCBA, novation, assignment, FDCPA offset, arbitration, or foreign mail drops, the end result for its victims is always the same: disaster.

147. CCDN's pattern of criminal wrongdoing has persisted since at least 2004 and continues every day, with no interference from law enforcement, and no end in sight.

Cathy Hunt's Dealings with CCDN/TCCS/Manger/Lindsey

148. Cathy Horton Hunt is a successful bank manager and had few financial difficulties until marrying Robert Hunt.

149. Mr. Hunt manipulated and deceived Ms. Hunt until he was able to defraud her of over \$300,000 by means of misappropriation of funds and unauthorized credit card charges.

150. Mr. Hunt now stands convicted of felony charges related to his fraudulent scheme.

151. Ms. Hunt was left with more than \$50,000 of credit card debt she could not pay.

152. Ms. Hunt learned of Lawgistix LLC, a Florida company who claimed that they could eliminate her debt on theories similar to CCDN's scheme.

153. Ms. Hunt paid Lawgistix \$3,000 to eliminate her debt.

154. Lawgistix never did anything for her, so she looked for another debt relief program and found CCDN online.

155. While in North Carolina, Ms. Hunt talked by phone with Phil Manger, who knew she was in North Carolina on or about 06 February 2007, and falsely expressed sympathy for her ill-treatment by Lawgistix and encouraged her to enroll in CCDN's program.

156. At Mr. Manger's direction, Ms. Hunt emailed Bob M. Lindsey of TCCS/CCDN, who emailed Ms. Hunt on or about 07 February 2007 with substantially the following message:

Glad you talked with Phil [Manger]. He is very knowledgeable and has a weathl [*sic*] of experience in this area of law.

Obviously you want to get this process going as quickly as possible. Looks like you have around 82k in debt and 7 accounts. The total price for the program for that amount of debt and number of cards is \$5495.00 I can get you started with \$3000 down and let you pay the balance over 90 to 120 days. Will that work for you? Let me know and I'll send the basic agreement for you to review.

Don't respond to any letters at this time. Should you get a summons, let me know and I'll give you the proper response. Don't think you will, though. Not just yet.

You will avoid bankruptcy and arbitration through this process. I cannot guarantee that you won't get sued though. However, it won't matter. Should that happen, we will file a suit in Federal Court that will supersede any state court action. We'll also provide you appropriate documents to file with the state court. We will then resolve any state court action in Federal Court (no appearance required on your part). We'll be filing Federal- Court [*sic*] actions anyway based upon clear violations of the law that have already occurred in your case and [*sic*] well as other violations we'll discovery and document. You will not have any negative consequences from a state court action providing you get going with the program ASAP.

Any questions or concerns, call or email.

Bob Lindsey
1-877-812-1135

157. Defendants knew the foregoing statements to be false, but intended that Ms. Hunt rely on them so that she would give Defendants money.

158. In reasonable reliance upon the above statements, Ms. Hunt obtained a \$2,500 cashier's check drawn on First National Bank made out to "Bob Lindsey" and mailed it to Mr. Lindsey in return for CCDN's eliminating her credit card debt as promised.

159. Defendants thus violated 15 U.S.C. § 1679b(b) by collecting a fee in advance of credit repair work performed.

160. Defendants thus completed the offenses of obtaining property by false pretenses, a Class H felony per NCGS § 14-100, and wire fraud, punishable by up to 20 years in prison per 18 U.S.C. § 1343.

161. Mr. Lindsey's receipt, transmission, and deposit of Ms. Hunt's \$2,500 check, which he obtained by committing the felonies of mail and wire and bank fraud and false pretenses, and which he in part converted to his own use and in part remitted to CCDN, all for the promotion of his and CCDN's carrying on of mail and wire and bank fraud and false pretenses, constitute the offense of laundering of monetary instruments, punishable by a prison term of 20 years and a \$500,000 fine per 18 U.S.C. § 1956(a)(2)(A) and (a)(3)(A).

162. Since this was part of Mr. Lindsey's scheme to use the instrumentalities of interstate commerce such as the U.S. Postal Service to engage and attempt to engage in a monetary transaction in criminally derived property of a value greater than \$10,000 that was derived from specified unlawful activity, including mail, wire, and bank fraud, Mr.

Lindsey is guilty of at least one count of money laundering per 18 U.S.C. § 1957(a).

163. CCDN provided a number of papers and directions to Ms. Hunt, including a document entitled Itinerary, which read in pertinent part: “When you stop paying the creditors, they will begin their collection efforts. These efforts include phone calls and letters. You will have to keep a log of the calls and fax any collection item you receive in the mail ASAP so we can send you the proper response. The same applies to ALL third party collectors as well. The creditors and especially third party collectors typically violate several laws designed to protect the consumer.”

164. This is deceptive and unfair in violation of NCGS § 75-1.1 because CCDN’s process consists of ceasing to pay valid debts even if the consumer is able to pay them, and then hoping to provoke creditors and collectors into violating fair debt collection law, which even if it works will not in most cases entitle consumers to enough damages to offset what they owe.

165. The Itinerary further reads in pertinent part: “[O]ur paralegals conduct a compliance audit of each account of each customer. They then use their completed audits to compose a solid Federal Complaint, which is then sent on to one of our CCDN attorneys for filing in Federal Court.”

166. This is deceptive and unfair in violation of NCGS § 75-1.1 because the draft complaints read “Northern District of North Carolina” even though there is no federal Northern District in North Carolina, and the legal theories therein are so utterly frivolous that any attorney unwise enough to sign and file them would likely be personally sanctioned and also referred to the State Bar for noncompliance with the Rules of Professional Conduct, in addition to losing the case, doing the client no good whatsoever,

and wasting the time of all concerned.

167. CCDN in or around March 2007 dispatched or caused to be dispatched the “Notice and Demand” and “I dispute this debt and refuse to pay it” communications described above to one or more of Ms. Hunt’s creditors.

168. At CCDN’s direction, Ms. Hunt did not resume paying one or more of her credit cards.

169. Ms. Hunt’s creditors began trying to collect on their debts and also hired outside collection agencies and law firms to collect from her.

170. Contrary to CCDN’s and its marketers’ claims that creditors and collectors always commit enough FDCPA violations to offset any debt enrolled in the CCDN program, Ms. Hunt’s creditors and collectors did not.

171. CCDN directed Ms. Hunt try to arrange a payment plan, contrary to their claim of being able to eliminate credit card debt.

172. Tracy Webster then advised Ms. Hunt how to answer the complaints and how to answer creditors’ propounded discovery, and advised Ms. Hunt on what discovery she should propound.

173. Tracy Webster drafted legal documents for Ms. Hunt intended for filing in North Carolina courts and for responses to discovery that could foreseeably be filed in court as part of motions to compel or for summary judgment.

174. CCDN’s false and misleading legal advice, transmitted over the interstate wires, was a furtherance of its scheme or artifice to defraud Ms. Hunt in violation of 18 U.S.C. § 1343 and NCGS § 14-100.

175. These activities, together with the advising of Ms. Hunt as to her supposed legal

rights not to repay debt, constitute the practice of law in North Carolina per NCGS § 84-2.1.

176. No one at CCDN is licensed to practice law in North Carolina per NCGS § 84-4 or admitted to limited practice per § 84-4.1.

177. Unauthorized practice of law is a Class 1 misdemeanor per NCGS § 84-8.

178. Ms. Hunt was forced to retain counsel to try to extract herself from the predicament CCDN placed her in, and owes counsel reasonable attorney fees.

179. CCDN's misrepresentations and malpractice have cost Ms. Hunt \$2,500 she paid to CCDN plus the amount for which she is now liable under the contracts that CCDN induced her to breach, including but not limited to principal, interest, penalties, liquidated damages, attorney fees, court costs, and service fees.

180. <http://shelby-northcarolina.olx.com/debt-resolution-company-100-satisfaction-iid-1684231> adds insult and defamation to injury: One or more Defendants on or about 07 May 2009 posted an ad at said URL for a "Debt Resolution Company 100% Satisfaction," touting "the Credit Collections Defense Network, this is a Nationwide Network of Attorneys ... This is a Debt Resolution Company not to be compared with Consolidation or Bankruptcy ... Your unsecured debt will be zero, your credit score will be 700-800. ... CALL NOW..... Miss C.H.H., Representative for Debt Resolution and The Credit Collections Defense Network of Attorneys" and giving out Ms. (Cathy Horton) Hunt's phone number; all of which was, needless to say, without notice to, or consent from, Ms. Hunt.

Linda Sheryl Lucas's Dealings with CCDN/FDRS

181. Ms. Lucas's common-law husband contracted amyotrophic lateral sclerosis (ALS),

also called Lou Gehrig's disease, which makes him increasingly unable to care for himself and for which medicine knows no cure.

182. Ms. Lucas faced the choice of keeping her life partner alive longer, or paying credit card debts.

183. Ms. Lucas searched online for a debt reduction strategy and found www.fdrs.com, one of FDRS's websites.

184. The word "Federal" in FDRS's name is deceptive and unfair in violation of NCGS § 75-1.1 because it makes people think that FDRS is somehow associated with the federal government or is authorized by federal law.

185. Mark Cella, a career fraudster who frequently relocates his numerous illegal businesses, and lists false addresses for them, to try to avoid service of process and law enforcement, is the principal of FDRS, but even though Mr. and Mrs. Lock and Mr. Manger knew or should have known all this, they still hired Mr. Cella to sell their program.

186. FDRS may have worked some accounts solely for itself, but was a marketing contractor or partner with CCDN at the time Ms. Lucas encountered them.

187. FDRS's material emphasizes popular (but thoroughly discredited) conspiracy speculation claiming that the federal government is really a puppet of international bankers, invoking supposed threats to freedom and the American way of life such as the Trilateral Commission and the Committee on Foreign Relations, backed up by quotes (of dubious provenance or just plain fabricated) critical of the banking system alleged to be from beloved American historical figures such as Thomas Jefferson, Andrew Jackson, and Albert Einstein, and insisting that the Federal Reserve is leading the nation into

slavery and needs to be abolished.

188. The page <http://www.fdrs.org/faq.html> as of 04 August 2008 summed up the FDRS philosophy of unsecured debt to banks thus: “The bank stole your promissory note (asset) from you and then deposited it to fund your account. Therefore, you funded your own loan, and the creditors owe you back the stolen amount which is the credit limit. Once you have learned about the fraudulent banking system, the moral thing to do is stop participating in their illegal system altogether. The banks require uninformed participation from people who have not discovered the truth.”

189. This statement violates NCGS § 75-1.1 because it calls for consumers to refuse to repay valid and lawful debts, and so doing will cause consumers to be sued and otherwise subjected to collection efforts, and will also cause severe damage to their credit, and many such consumers end up with no alternative to seeking bankruptcy protection.

190. The page continues: “Can I be sued by a creditor? Yes. But, not lawfully or likely.”

191. This statement violates NCGS § 75-1.1 because it is very likely that banks and other unsecured lenders will sue people who refuse to pay back large amounts of money, and such suits are perfectly lawful.

192. Each false statement on FDRS’s website constitutes a separate violation of 15 U.S.C. § 1679b(3) and (4).

193. In reliance upon the above statements, Plaintiff paid FDRS at least \$8,000 to eliminate her debt.

194. Some or all of this money went to CCDN and benefited the owners thereof.

195. FDRS thus violated 15 U.S.C. § 1679b(b) by collecting a fee in advance of credit

repair work performed.

196. FDRS thus completed the offenses of obtaining property by false pretenses, a Class H felony per NCGS § 14-100, and wire fraud, punishable by up to 20 years in prison per 18 U.S.C. § 1343.

197. FDRS's receipt, transmission, and deposit of Ms. Lucas's check(s), which FDRS obtained by committing the felonies of mail and wire and bank fraud and false pretenses, and which they in part converted to their own use and in part remitted to CCDN, all for the promotion of their and CCDN's carrying on of mail and wire and bank fraud and false pretenses, constitute the offense of laundering of monetary instruments, punishable by a prison term of 20 years and a \$500,000 fine per 18 U.S.C. § 1956(a)(2)(A) and (a)(3)(A).

198. CCDN and FDRS have conspired to defraud Capital One Bank (USA), N.A. through at least 37 other Plaintiffs in the past four years, and Capital One has sued CCDN and FDRS for tortious interference and trademark infringement in case number 0:08-cv-02274-JFA in U.S. District Court for the District of South Carolina.

199. Contrary to CCDN's and its marketers' claims that creditors and collectors always commit enough FDCPA violations to offset any debt enrolled in the CCDN program, Ms. Lucas's creditors and collectors did not.

200. At least one alleged creditor commenced an action for money owed against Ms. Lucas and caused her to be served with the summons and complaint.

201. FDRS or CCDN then advised Ms. Lucas how to answer the complaint.

202. FDRS or CCDN drafted legal documents for Ms. Lucas intended for filing in North Carolina courts.

203. FDRS's or CCDN's false and misleading legal advice, transmitted over the

interstate wires, was a furtherance of CCDN's scheme or artifice to defraud Ms. Lucas in violation of 18 U.S.C. § 1343 and NCGS § 14-100.

204. These activities, together with the advising of Ms. Lucas as to her supposed legal rights not to repay debt, constitute the practice of law in North Carolina per NCGS § 84-2.1.

205. No one at CCDN or FDRS is licensed to practice law in North Carolina per NCGS § 84-4 or admitted to limited practice per § 84-4.1.

206. Unauthorized practice of law is a Class 1 misdemeanor per NCGS § 84-8.

207. Ms. Lucas was forced to retain counsel to try to extract herself from the predicament Defendants placed her in, and owes counsel reasonable attorney fees.

208. CCDN's misrepresentations and malpractice have cost Ms. Lucas over \$8,000 paid for worthless services, plus the amount for which she is now liable or has already repaid under the contracts that CCDN induced her to breach, including but not limited to principal, interest, penalties, liquidated damages, attorney fees, court costs, and service fees.

209. True to form, Mr. Cella has now taken down FDRS's websites and disappeared.

William Harrison's Dealings with CCDN/Aegis

210. William G. Harrison, Sr. resides in Columbus County, part of the federal Eastern District of North Carolina.

211. As of early 2007, Mr. Harrison was indebted on four credit cards and current on all of them but was beginning to encounter financial difficulties.

212. Mr. Harrison is retired from the North Carolina Department of Transportation, has only his pension and Social Security for income, has no significant assets or savings, and

is in poor health and incapable of working an extra job.

213. Mr. Harrison searched online for a debt reduction strategy and found www.debtjurisprudence.org.

214. The .org domain name is deceptive and unfair in violation of NCGS § 75-1.1 because it makes people think that Debt Jurisprudence is a not-for-profit organization instead of the for-profit business that it is.

215. www.goaegis.com is the homepage of Aegis Corporation, which sells laser pointers, radiation shields, and other useful items, but through what was then its Debt Jurisprudence Division, now its subsidiary Debt Jurisprudence, Inc., sold CCDN's fraudulent program.

216. M. David Kramer is the president and his wife Marcia M. Murphy is the secretary of both Aegis Corporation and Debt Jurisprudence, Inc., all at 614 Dartmouth Terrace Court, Wildwood MO 63011.

217. From 02 October 2006 to 10 October 2007, Aegis/DJ, Mr. Kramer, and Ms. Murphy sold CCDN's program through a contract with RK Lock & Associates, similar to the contract between RKLA/CCDN and Mr. Lindsey dba The Credit Card Solution, and called CCDN's program the "Debt Jurisprudence process."

218. Aegis Corporation and/or Debt Jurisprudence still sells what it calls its "Debt Jurisprudence process," a fraudulent debt elimination scheme similar to CCDN's.

219. Aegis/Debt Jurisprudence's site misrepresented, among many other things: "The Debt Jurisprudence™ process legally and ethically gets you out of debt and restores your credit by using the Federal laws which were created to protect you. It is supported by a nationwide network of licensed attorneys and certified paralegals whose success rate is

100%.”

220 . Mr. Kramer directed Mr. Harrison in an email on or shortly before 18 July 2007 to send money from North Carolina to him, through his disregarded and pierced entities Debt Jurisprudence Division of Aegis Corporation.

221 . In reasonable reliance upon the representations on Aegis Corporation’s website in the days immediately before 18 July 2007, and following Mr. Kramer’s instructions, Mr. Harrison wrote check number 8246 made payable to Aegis Corporation in the amount of \$4,200 and dispatched by U.S. Priority Mail on or about 0845 EDT 18 July 2007 to Aegis Corporation, Debt Jurisprudence Division, P.O. Box 464, Grover MO 63040-0464, in return for eliminating his credit card debt as promised.

222 . Ms. Murphy, an officer of Aegis Corporation, received part of the proceeds therefrom, knowing that such proceeds were the product of unlawful activity.

223 . Aegis Corporation, Debt Jurisprudence, Inc., Mr. Kramer, and Ms. Murphy thus violated 15 U.S.C. § 1679b(b) by collecting a fee in advance of credit repair work performed.

224 . Aegis Corporation, Debt Jurisprudence, Inc., Mr. Kramer, and Ms. Murphy thus completed the offenses of obtaining property by false pretenses, a Class H felony per NCGS § 14-100, and mail and wire fraud, punishable by up to 20 years in prison per 18 U.S.C. §§ 1341 and 1343.

225 . Mr. Kramer, Ms. Murphy, and Aegis Corporation’s receipt, transmission, and deposit of Mr. Harrison’s \$4,200 check, which they obtained by committing the felonies of mail and wire and bank fraud and false pretenses, and which they in part converted to their own use and in part remitted to CCDN, all for the promotion of their and CCDN’s

carrying on of mail and wire and bank fraud and false pretenses, constitute the offense of laundering of monetary instruments, punishable by a prison term of 20 years and a \$500,000 fine per 18 U.S.C. § 1956(a)(2)(A) and (a)(3)(A).

226. David Kramer has personally dealt with Mr. Harrison on several occasions, including but not limited to an email of 20 July 2007 noting that “an integral part of the Debt Jurisprudence process is to accelerate the transfer of accounts you include in the process to a debt collector,” meaning to stop paying those accounts so that they would be referred or sold to collection agencies.

227. Aegis Corporation, Debt Jurisprudence, Inc., Mr. Kramer, and Ms. Murphy have committed similar acts of wire fraud and money laundering against Paul and Elena Olson of Roseau, Minnesota within the four years before the filing of this Complaint.

228. Based on those facts, the Olsons sued Aegis, CCDN, and Mr. Kramer for relief under CROA and Minnesota state law, case number 2008-CV-1076 in U.S. District Court for the District of Minnesota, which has since settled and been dismissed with prejudice.

229. David Kramer in the name of Aegis Corporation, Debt Jurisprudence Division, personally dealt with the Olsons in substantially the same way as he dealt with Mr. Harrison and committed the same offenses against them, meaning that Mr. Kramer is unlawfully conducting those enterprises affairs through a pattern of racketeering activity.

230. CCDN provided a number of papers and directions to Mr. Harrison, including a document entitled Itinerary, which read in pertinent part: “When you stop paying the creditors, they will begin their collection efforts. These efforts include phone calls and letters. You will have to keep a log of the calls and fax any collection item you receive in the mail ASAP so we can send you the proper response. The same applies to ALL third

party collectors as well. The creditors and especially third party collectors typically violate several laws designed to protect the consumer.”

231. This is deceptive and unfair in violation of NCGS § 75-1.1 because CCDN’s process involves ceasing to pay valid debts even if Plaintiffs are able to pay them, and then telling Plaintiffs to provoke and endure as much abuse as possible in the false hope of piling up enough statutory damages to offset debts.

232. The Itinerary further reads in pertinent part: “[O]ur paralegals conduct a compliance audit of each account of each customer. They then use their completed audits to compose a solid Federal Complaint, which is then sent on to one of our CCDN attorneys for filing in Federal Court.”

233. This is deceptive and unfair in violation of NCGS § 75-1.1 because the draft complaints read “Northern District of North Carolina” even though there is no federal Northern District in North Carolina, and nobody at CCDN was qualified to evaluate Mr. Harrison’s case and advise him accurately as to his legal rights.

234. CCDN then dispatched or caused to be dispatched in Mr. Harrison’s name the “Notice and Demand” letter and affidavit to at least four of his creditors, followed by the “I dispute this debt and refuse to pay it” letter to each of those creditors.

235. At CCDN’s direction, Mr. Harrison ceased paying back his credit card debts, including at least one card issued by a federally insured national banking association.

236. Mr. Harrison’s creditors then attempted to collect debt from him by means of dunning letters, collection calls, and lawsuits.

237. Contrary to CCDN’s and its marketers’ claims that debt collectors always commit enough FDCPA violations to offset any debt enrolled in the CCDN program, Mr.

Harrison's creditors and collectors did not.

238. CCDN and Tracy Webster directed Mr. Harrison to try to arrange a payment plan for at least one account, contrary to their claim of being able to eliminate credit card debt.

239. FIA Card Services, N.A. commenced an action for money owed, Columbus County file number 08 CVD 758, against Mr. Harrison and caused him to be served with the summons and complaint.

240. CCDN and Tracy Webster then advised Mr. Harrison how to answer the complaint and how to answer FIA's propounded discovery, and advised Mr. Harrison on what discovery he should propound.

241. CCDN and Tracy Webster drafted legal documents for Mr. Harrison intended for filing in North Carolina courts and for responses to discovery that could foreseeably be filed in court as part of motions to compel or for summary judgment.

242. Tracy Webster on or about 13 May 2008 personally provided templates intended for filing in North Carolina courts; on or about 19 June 2008 advised Mr. Harrison how to answer requests for admission; in response to Mr. Harrison's urgent legal questions, on or about 20 June 2008 wrote "You shouldn't use the same answer for all of their request [sic] sir, try to be creative"; and on other occasions wrote or spoke legal advice to Mr. Harrison.

243. Tracy Webster's false and misleading legal advice, dispatched by the interstate wires, was a furtherance of CCDN's scheme or artifice to defraud Mr. Harrison in violation of 18 U.S.C. § 1343 and NCGS § 14-100.

244. These activities, together with the advising of Mr. Harrison as to his supposed legal rights not to repay debt, amount to the practice of law per NCGS § 84-2.1.

245 . No one at CCDN is licensed to practice law in North Carolina per NCGS § 84-4 or admitted to limited practice per § 84-4.1.

246 . Unauthorized practice of law is a Class 1 misdemeanor per NCGS § 84-8.

247 . Mr. Harrison was forced to retain counsel to try to extract himself from the predicament CCDN placed him in, and owes counsel reasonable attorney fees for this.

248 . CCDN's misrepresentations and malpractice have cost Mr. Harrison \$4,200 he paid to Aegis Corporation plus the amount for which he is now liable under the contracts that CCDN induced him to breach, including but not limited to principal, interest, penalties, liquidated damages, attorney fees, court costs, and service fees.

249 . Aegis Corporation's receipt, transmission, and deposit of \$4,200, obtained by committing the felonies of mail and wire and bank fraud and false pretenses, and which Aegis, Mr. Kramer, and Ms. Murphy in part converted to their own use and in part remitted to CCDN, all for the promotion of their and CCDN's carrying on of mail and wire and bank fraud and false pretenses, constitute the offenses of laundering of monetary instruments, punishable by a prison term of 20 years and a \$500,000 fine per 18 U.S.C. § 1956(a)(2)(A) and (a)(3)(A).

250 . Since Mr. and Mrs. Lock and Mr. Manger received part of Mr. Harrison's property, knowing that it was the proceeds of unlawful activity and in fact it was derived from specified unlawful activity, they are all also guilty of money laundering.

Sharon Southwood's Dealings With CCDN/TCCS/Lindsey

251 . In or around December 2007, Sharon Southwood had seven unpaid credit cards, all of which had dates of last activity more than three years old.

252 . An entity calling itself "Unifund CCR Partners" claimed that it had bought one of

the old accounts, an AT&T-branded card from Universal Bank, N.A.

253. A well-known high-volume collection law firm on behalf of “Unifund CCR Partners” commenced an action against Ms. Southwood, file number 07 CVD 1941 in Lincoln County District Court, seeking to recover the alleged debt.

254. No lawyer in Lincoln County was immediately willing to take her case, so Ms. Southwood had to look up for herself how to defend the case, propound discovery, and answer “Unifund CCR Partners” discovery.

255. Mr. Lindsey on or about 18 June 2008 electronically signed and emailed to Ms. Southwood a document titled “The Credit Card Solution Purchase Agreement.”

256. This document began: “This Agreement is entered into by Sharon H. Southwood (hereinafter individually or collectively “Member”), Bob Lindsey d/b/a The Credit Card Solution (hereinafter “TCCS”) as Authorized Agent (hereinafter “AA”) for the Credit Collections Defense Network (hereinafter referred to as “CCDN”).”

257. The agreement promised in paragraph 2: “Member will be provided with a Federally licensed attorney when the situation warrants at NO additional attorney fee cost to Member.”

258. The situation warranted an attorney immediately, in that a collection law firm was assertively prosecuting a lawsuit against her.

259. TCCS/CCDN did not provide, and never intended to provide, an attorney to defend this case at no additional cost to her.

260. Paragraph 3 read: “AA Representation. AA represents and warrants that, prior to Member’s purchase of the Product, AA has fully presented and represented the Product to Member in accordance with all TCCS/CCDN policies, procedures, rules, and

regulations.”

261. This was deceitful and unfair because TCCS/CCDN policy, whether written or not, is to fraudulently and illegally misrepresent the legality and effectiveness of their theories and programs.

262. Paragraph 7 required Ms. Southwood to supply to TCCS and CCDN “any and all documents, statements and other evidence requested by TCCS and CCDN representing existing debt which Member desires to eliminate as part of Member’s participation in the Credit Restoration and Debt Invalidation program” within 60 days.

263. This was deceitful and unfair because TCCS/CCDN knew that they could not restore credit or eliminate debt.

264. Again, “existing debt which Member desires to eliminate” discredits TCCS/CCDN’s denials of running a “debt elimination” program.

265. In reasonable reliance on this document’s representations, which TCCS/CCDN intended for her to rely on so she would give them money, Ms. Southwood on or about 12 July 2008 used instrumentalities of interstate commerce to deliver \$5,600 (five thousand six hundred dollars) across state lines to Mr. Lindsey by means of two certified checks made out to Mr. Lindsey and drawn on a federally insured bank.

266. Mr. Lindsey deposited these two checks in a bank account in either his name or the name of one of his controlled businesses, kept part of it for himself, and transmitted the rest across state lines to CCDN.

267. CCDN provided Ms. Southwood with the following letter with which to dispute the “Unifund CCR Partners” account:

RE NOTICE OF ERRONEOUS PRESENTMENT AND DEMAND FOR FULL
DISCLOSURE—SHARON H. SOUTHWOOD, ACCOUNT #[redacted]

Dear Sir/Madame:

I recently received your unsigned presentment regarding the above listed account. Please regard this letter as a formal Notice and Demand to Universal Bank, N.A. that your presentment is being returned without dishonor as erroneous and incomplete per UCC 3-501(b)(3), and demand is hereby made for full disclosure with respect to the above listed account per UCC 3-501(b)(2).

You are hereby noticed that Universal Bank, N.A. has failed to provide either adequate and valuable consideration, or full disclosure of the material terms and conditions of the alleged agreement, particularly with respect to the circumstances surrounding the original issuance of the credit involved in this matter and the nature and extent of any finance charges assessed on the above account.

This Notice and Demand should not be perceived as a refusal to pay any valid debt. However, based upon your conduct and the erroneous and incomplete nature of your presentment, I have questions regarding the validity of the debt you are alleging is due and owing. This letter is not a request for "verification" or "validation", but a demand for proof of claim, such as may be proven by a certified copy of an original agreement, with my signature, specifically naming your company as a person entitled to enforce a commercial claim against me.

In order to determine the validity of your presentment, and pursuant to UCC 3-501(b), at a minimum I will require certified copies of the following:

1. Your proof of claim related to the above listed account,
2. any and all instruments in your possession that support your claim that bear my signature per UCC 3-401(a)(1),
3. any and all account and general ledger statements per FAS 95 & FAS 140,
4. any and all 1099 A & 1099 OID forms issued and filed with respect to the above listed account.

Until such time as you are able to provide the demanded information and resolve my concerns please consider this as a formal dispute regarding all charges, finance charges, penalties and other fees related to the above noted account. In the event that you are unable or unwilling to properly respond to this notice and demand, please send me a billing statement or other communication indicating a zero balance due on the account. Your failure to do so will constitute a fault per UCC 1-201(b)(17), and will require my filing 1099 A & 1099 OID forms with the Internal Revenue Service as appropriate.

Please understand that all communications, acts or omissions on your part may be used in litigation regarding your non-compliance with state and federal tax and consumer protection laws. Your failure to respond to this Notice and Demand within ten (10) days will be construed as a waiver of any and all claims regarding

the above-listed account, and will act as a confirmation that no further action may be taken on your part with respect to the subject account.

Respectfully,
[signed]
Sharon Southwood

268 . The Federal Deposit Insurance Corporation, a U.S. agency, insures Universal Bank's deposits, certificate number 32897.

269 . No Defendant disclosed to Ms. Southwood that Defendants were committing and conspiring to commit bank fraud, 18 U.S.C. § 1344, and their advice (from lawyers Mr. Manger and Mr. Lock, who claim to know how the banking system really works) was sufficiently complex that she was unable to ascertain the illegality of following it.

270 . At TCCS/CCDN/Mr. Lindsey's direction, Ms. Southwood dispatched this letter on or about 17 July 2008 to Universal Bank, N.A. (AT&T), PO Box 6013, Sioux Falls SD 57117, and it arrived there at or about 0634 local time on 21 July 2008.

271 . This letter is absolutely worthless in general, for at least the following reasons: the cited provisions of the Uniform Commercial Code apply to negotiable instruments such as checks and promissory notes, not to open accounts or consumer credit cards; FAS 95, Statement of Cash Flows, and FAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, are financial accounting standards that only govern reporting of results on financial statements and have no effect on debtor-creditor relationships; IRS Form 1099-A has nothing whatsoever to do with unsecured credit card debt, but applies only when a borrower abandons property that secures a debt, and even then, the lender, not the taxpayer, must file the form; IRS Form 1099-OID has nothing whatsoever to do with unsecured credit card debt, but reports annualized interest income that a taxpayer must recognize while holding a bond that the issuer sold at a

discount to face value, and even then, the bond issuer, not the taxpayer, files Form 1099-OID; and, failure to respond to Defendants' letter within 10 days is not a defense to liability on a credit card debt, in whole or in part.

272. This letter was specifically worthless to Ms. Southwood because it was addressed to the alleged original creditor, not to "Unifund CCR Partners," the alleged holder in due course of the obligation.

273. CCDN supplied Ms. Southwood with templates and legal advice as to her pending case in state court.

274. Mr. Manger, upon Ms. Southwood's asking for legal assistance, said he would refer her to a lawyer, but that she would have to pay the lawyer's fee herself.

275. This breached Paragraph 2 of the Purchase Agreement: "Member will be provided with a Federally licensed attorney when the situation warrants at NO additional attorney fee cost to the Member."

276. The lawyer to whom Ms. Southwood was referred filed a dispositive motion on grounds that her alleged debt was time-barred, and that no such entity as "Unifund CCR Partners" is admitted to do business in North Carolina and also has not provided required information to the Register of Deeds in the counties where it tries to collect debt.

277. Seeing that they were beaten, "Unifund CCR Partners" voluntarily dismissed the case against Ms. Southwood on or about 03 November 2008 without prejudice, which was not refiled within a year, and by operation of law may not ever be refiled now.

278. This was done completely without use of CCDN's frivolous debt elimination theories.

279. Ms. Southwood had to pay counsel \$1,000 for valuable services.

280 . No Defendant ever reimbursed Ms. Southwood for this.

281 . TCCS/CCDN's false and misleading legal advice and unsuitable templates intended for signing and filing in North Carolina courts, transmitted over the interstate wires and through the U.S. Mail, were in furtherance of TCCS/CCDN's scheme or artifice to defraud Ms. Southwood of \$5,600 in violation of 18 U.S.C. §§ 1341 and 1343 and NCGS § 14-100.

282 . These activities, together with the advising of Ms. Southwood as to her supposed legal rights not to repay debt, constitute the practice of law in North Carolina per NCGS § 84-2.1.

283 . No CCDN agent or employee is licensed to practice law in North Carolina per NCGS § 84-4 or admitted to limited practice per § 84-4.1.

284 . Unauthorized practice of law is a Class 1 misdemeanor per NCGS § 84-8.

285 . Mr. Lindsey's receipt, transmission, and deposit of two checks totaling \$5,600, which he obtained by committing the felonies of mail and wire and bank fraud and false pretenses, and which he in part converted to his own use and in part remitted to CCDN, all for the promotion of his and CCDN's carrying on of mail and wire and bank fraud and false pretenses, constitute two separate offenses of laundering of monetary instruments, each punishable by a prison term of 20 years and a \$500,000 fine per 18 U.S.C. § 1956(a)(2)(A) and (a)(3)(A).

Named Plaintiff's Experience with Defendants

286 . As of 04 June 2008, Named Plaintiff Chris W. Taylor owed about \$5,292.48 to Discover Card, \$26,824.39 to American Express, and \$2,977.32 to Arrow Financial, a third party debt buyer who purchased Named Plaintiff's former HSBC credit card.

287. Named Plaintiff had been unable to pay any of these accounts in full and on time and was in default on all three.

288. In the few days before 04 June 2008, Named Plaintiff looked online for a way to deal with this debt.

289. Named Plaintiff found www.thecreditcardsolution.com and contacted TCCS for information.

290. On 05 June 2008, TCCS agent Linda Self emailed Named Plaintiff with a worksheet to fill out and promised to “draft a Purchase Agreement & E-mail it to you. As soon as we get that back with your initial payment, you’ll be started in our process.”

291. This request for advance payment violated 15 U.S.C. § 1679b(b).

292. Named Plaintiff filled out the worksheet and returned it.

293. Defendant Robert Mitchell Lindsey emailed Named Plaintiff on 23 June 2008, requesting advance payment and attaching a TCCS Purchase Agreement that Mr. Lindsey had electronically signed on or about 12 June 2008.

294. This document was titled “THE CREDIT CARD SOLUTION PURCHASE AGREEMENT” and began:

This Agreement is entered into by **Chris Taylor** (hereinafter individually or collectively “Member”), **Bob Lindsey** d/b/a **The Credit Card Solution** (hereinafter “TCCS”) as Authorized Agent (hereinafter “AA”) for the **Credit Collections Defense Network** (hereinafter referred to as “CCDN”).

295. This shows CCDN Defendants and TCCS Defendants to have been working in concert.

296. Paragraph 1 of the Agreement read:

Purchase of Product. The Member hereby purchases from TCCS and CCDN the Credit Restoration Debt Invalidation Educational program and services (hereinafter referred to as “Product and Services”).

297. This was deceptive because Defendants knew they could not restore credit or invalidate debt, and constituted the offense of wire fraud per 18 U.S.C. § 1343.

298. Paragraph 2 of the Agreement read in pertinent part:

Member will be provided with a Federally licensed attorney when the situation warrants at NO additional attorney fee cost to the Member. Member will be provided with legal and financial advice and Federal representation through his/her affiliation with TCCS and CCDN.

299. This was deceptive because Defendants never intended to provide a lawyer for Named Plaintiff and knew that they had no lawyer to refer him to.

300. Paragraph 2 continued in pertinent part:

In the event legal action is pursued against Banks and/or Debt Collectors and Member receives a monetary judgment and or award from such action; Member acknowledges that the provided attorneys will have represented him/her on a contingency fee performance basis and will retain 75% of any monetary award received with 25% paid to Member.

301. Paying 75% of even maximum damages to Defendants would mean that Named Plaintiff would not have nearly enough left over to offset debts, and also 75% is a clearly excessive contingent fee under the circumstances.

302. Paragraph 2 continued in pertinent part:

**Package and service ordered:
Credit Restoration and Debt Invalidation Package
\$4500 (3) cards or less**

Payment to be made as follows:
\$4500.00 due with execution of Agreement.

303. Since Mr. Lindsey and Named Plaintiff were in different states at the time Mr. Lindsey sent the Agreement, Defendants committed the offense of laundering of monetary instruments per 18 U.S.C. § 1956(a)(1)(A)(i).

304. Paragraph 3 of the Agreement read:

AA Representation. AA represents and warrants that, prior to Member's purchase of the Product, AA has fully presented and represented the Product to Member in accordance with all TCCS/CCDN policies, procedures, rules and regulations.

305. Defendants thus committed wire fraud, 18 U.S.C. § 1343, because Defendants' policy and procedure is to sell illegal and ineffective products and services.

306. In reasonable reliance on the representations therein, which Defendants knew to be utterly false but which they communicated to Named Plaintiff and intended that he rely thereon, Named Plaintiff executed the agreement on 24 June 2009.

307. Pursuant to the Agreement, Named Plaintiff on 25 June 2008 dispatched over the interstate wires an electronic draft from his account at Huntington Bank, payable to "The Credit Card Solution" in the amount of \$4,500.00 (four thousand five hundred dollars exactly), memo "Program Fees," which The Credit Card Solution endorsed by manual or facsimile signature, and deposited 25 June 2009.

308. Since The Credit Card Solution and Named Plaintiff were in different states at the time Named Plaintiff transmitted the money, Defendants thus committed the offense of laundering of monetary instruments per 18 U.S.C. § 1956(a)(2)(A).

309. On 25 June 2008, Mr. Lindsey sent an email to Named Plaintiff that read in full:

Hi Chris!

Got your payment and Agreement. Welcome aboard!

Attached is the TCCS Welcome and Instruction letter. Read that before completing the enrollment documents.

Complete the CCDN Enrollment Manual according to the instructions.

Questions or concerns, call me or email me.

Bob Lindsey

310. Named Plaintiff received said CCDN Debt Reconciliation Program Enrollment

Manual.

311. The very title “Debt Reconciliation” is deceptive because Defendants knew they could not reconcile debt.

312. Page 3, labeled “The CCDN Philosophy,” claims “to provide a strong and effective defense for the average consumer from the abusive tactics being practiced by these third party debt collectors.”

313. This statement, over the names “CCDN Founders Robert K. Lock, Jr. Philip M. Manger”, is deceptive because Defendants cannot defend Plaintiffs from debt collectors.

314. Page 4 of the Manual, from CCDN Support Group, 23 S. Franklin Street, Cattaraugus NY 14719, may be summarized as requiring Named Plaintiff to do exactly as CCDN told him, and if he did, paralegals and attorneys “will get the ball rolling towards your financial freedom.”

315. This page was entirely fraudulent, because following CCDN’s program will lead to increased debt and ruined credit, not financial freedom, and was only in the Manual to give Defendants the false excuse that CCDN’s program was not working for Named Plaintiff because he had not been following orders.

316. Pages 5 and 6 of the Manual summarized the three-phase “CCDN Debt Reconciliation Program,” ending with: “The outcome being your credit scores will dramatically improve and your debt resolved. ... By getting off to a good, clean start, we can make this a smooth and successful process and begin getting you back on the road to financial freedom.”

317. These pages were fraudulent because Defendants knew that the “Debt Reconciliation Program” reconciled nothing, did not improve credit scores, did not

resolve debt, and did not result in financial freedom.

318. Page 6 of the Manual stated in the fine print: “As CCDN does not work in the State court level, only the Federal level, the client will use these documents to protect themselves from these unlawful attacks.”

319. This contradicted the promise of legal help in Paragraph 2 of the TCCS Purchase Agreement, “a Federally licensed attorney when the situation warrants at NO additional attorney fee cost to Member,” which does not limit help to federal cases only.

320. Pages 9-10 of the Manual contained a number of statements, each of which Named Plaintiff was required to initial, that were either false, e.g., 5: “The CCDN will use all means at its disposal within the law to conduct these services,” or contradicted Defendants’ advertising, e.g., 4: “The CCDN does not guarantee improvement of Client’s past history or Fico score as many factors beyond our control affect these items.”

321. Named Plaintiff initialed Item 10 on page 10 certifying that he had “viewed and read all pages on our web site,” meaning that Defendants intended for Named Plaintiff to rely on the misrepresentations and omissions therein.

322. Page 11 of the Manual required Named Plaintiff to give CCDN a limited power of attorney for each account, even though this was useless because CCDN could not reduce, eliminate, reconcile, or otherwise relieve Named Plaintiff’s debt.

323. Page 15 of the Manual, referring to delivery of documents from Named Plaintiff to Defendants’ Cattaraugus office, such as the completed application package referenced on page 38, read: “You may use U.S. POSTAL SERVICE, FED-EX, UPS or DHL.”

324. Defendants thus committed mail fraud per 18 U.S.C. § 1341.

325. Defendants provided their standard dispute letter form to Named Plaintiff and

directed him to mail it to “HSBC Nevada Bank, N.A., PO Box 5244, Carol Stream IL 60197-5244,” which read substantially as follows:

NOTICE AND DEMAND FOR VALIDATION AND ADEQUATE
ASSURANCE OF PERFORMANCE
CHRIS TAYLOR, ACCOUNT #[redacted]

Dear Sir/Madame:

I recently received your recent unsigned communication. Please regard this letter as a formal written Notice and Demand to HSBC Nevada Bank, N.A. for validation and adequate assurance of performance with respect to the above listed account.

In preparation for this Notice and Demand, I have conducted a full and complete investigation into this matter, and I am of the opinion that HSBC Nevada Bank, N.A. may be in breach of the terms and conditions of the Credit Card Agreement, by its failure to provide either adequate and valuable consideration, or full disclosure of the material terms and conditions of the alleged original agreement, including the nature and extent of any finance charges assessed on the above account. In addition, I have reason to believe that your company has failed to properly credit me for all revenues received by you related to this account. In the event that the application or other evidence of this account was monetized, securitized and/or sold, please provide me with certified copies of all underlying documentation regarding said transactions.

This Notice and Demand should not be perceived as a refusal to pay any valid debt. However, I have questions regarding the validity of the debt you are alleging in the attached billing statement, and in order to determine the validity of your presentment, and continue payment on the above-listed account, I will require certain information to confirm your claim in this matter. To that end, please forward the attached affidavit to the appropriate person in your organization for review and execution. Upon receipt of the signed, sworn affidavit, I will arrange for payments to resume on the above noted account. In the event that you are unable or unwilling to provide me adequate assurance of performance on this account, please send me a billing statement or other communication indicating a zero balance due on the account.

Please restrict all communication with me regarding this matter to writing, and understand that all communications, acts or omissions may be used in litigation, including the filing of grievances and the initiation of investigations at the Federal Trade Commission and other government bodies regarding your non-compliance with the Fair Credit Reporting Act, Fair and Accurate Credit Transaction Act of 2003, and other state and federal consumer protection laws. Your failure to respond to this Notice and Demand within thirty (30) days will be construed as a

waiver of any and all claims regarding the above-listed account, and will act as a confirmation that no further action will be taken on your part with respect to the subject account. Please also take notice that during the pendency of this dispute, no further payments will be made on the account, and the account cannot be sold, assigned, forwarded or otherwise transferred for purposes of the collection of a debt.

Respectfully,

[signature]
Chris Taylor

326 . The letter was dispatched on or about 02 July 2008 by U.S. Certified Mail, item number 7006 2760 0004 3351 1168.

327 . At Defendants' direction, Named Plaintiff on or about 02 July 2008 dispatched similar letters by U.S. Certified Mail to Discover Financial Services, PO Box 30943, Salt Lake City UT 84130-0943, item 7006 2760 0004 3351 0765, and American Express, PO Box 981540, El Paso TX 79998-1540, item 7006 2760 0004 3351 0796.

328 . Defendants intended this letter to assure Named Plaintiff that he no longer had to repay his debt to HSBC Bank Nevada, American Express, or Discover.

329 . HSBC Bank Nevada, N.A. is federally insured, FDIC certificate #33863.

330 . Defendants thus committed mail and bank fraud, 18 U.S.C. §§ 1341 and 1344.

331 . Defendants instructed Named Plaintiff to cease repayment of all three debts.

332 . Both personally and through other Defendants, Mr. Lock and Mr. Manger hold themselves out (on the web pages they required Named Plaintiff to read, and elsewhere), and require their sales agents to hold them out, as attorneys to be absolutely relied on, with specialized knowledge of complex areas such as banking, consumer debt, and credit reporting (indeed, as virtually the only attorneys in America who understand "how banks really work"), and their advice was sufficiently complex that Named Plaintiff was unable

to ascertain the illegality of following it.

333 . However, even though he filled out all paperwork per Defendants' directions, and did just as Defendants told him, Named Plaintiff's credit score did not improve, his debt did not shrink or disappear, and Defendants did nothing of any value for him.

334 . In January 2009, Named Plaintiff ran online searches of CCDN and TCCS and its personnel, and discovered many consumer comments about CCDN that had appeared in the months since he gave Defendants money, most of them to the effect that CCDN had taken money for no value and was just a scam that left people in far more debt and with far worse credit than ever before.

335 . Named Plaintiff wrote to Mr. Lindsey, U.S. Certified Mail item 7007 0220 0003 7701 3355 received in Houston at 1122 on 30 January 2009, to say that he had gotten no benefit from the \$4,500 that he had scraped together with considerable difficulty and bestowed upon CCDN, and asking how to get out of the program with a refund of all fees paid.

336 . No Defendant refunded any of Named Plaintiff's money.

337 . Mr. Lindsey telephoned Named Plaintiff and, with smooth reassuring manner, misrepresented to him that everything was working fine and he should not worry, which placated Named Plaintiff for the time being.

338 . Named Plaintiff emailed CCDN Support on 03 August 2009 to let them know he had changed his address, and CCDN's response of 05 August was to the effect that Named Plaintiff should be sure to notify all debt collectors of his new contact information so that they could abuse him as much as possible.

339 . Named Plaintiff emailed CCDN Support later on 05 August and noted that the

CCDN process was taking longer than he had been told, with no effect whatsoever, and asked for the next step.

340. CCDN Support emailed back the same day and claimed that he had “a good violation” as to the American Express account, but that the statute of limitations would run on 02 September (they probably meant 22 September), and since there were not enough violations on the HSBC and Discover accounts, Named Plaintiff should answer collectors’ calls and keep saying “I don’t have the money to pay right now” to drive them “crazy” and inspire them to abuse him as much as possible.

341. Since the American Express balance exceeded \$26,000, and Defendants knew that maximum FDCPA statutory damages are \$1,000 no matter how much illegal abuse was heaped on Named Plaintiff, Defendants’ misadvice was not just useless, but downright sadistic.

342. CCDN did nothing for Named Plaintiff, so he emailed Jen Devine on 21 September 2009 to see what he needed to do.

343. Jen Devine emailed back to say: “I do not need anything. It is with an attorney now waiting to see if he will accept.”

344. This was false and fraudulent, because no Defendant ever sent Named Plaintiff’s cases to any attorney.

345. Named Plaintiff emailed again on 21 September: “Gosh ... it’s stressful waiting. Tomorrow is our last day. That’s got me all stressed.”

346. Jen Devine emailed back: “Attorney placement is working on it today.”

347. This was false and fraudulent, because no Defendant ever sent Named Plaintiff’s cases to any attorney.

348. Named Plaintiff emailed on 22 September 2009: “Jen, What’s the word? Did we make it in time?”

349. Jen Devine responded later that day: “Four attorneys have turned the case down. I am waiting to hear from one last one.”

350. This too was false and fraudulent, because no Defendant ever sent Named Plaintiff’s cases to any attorney.

351. Named Plaintiff emailed on 23 September 2009: “Jen, It’s too late, correct?”

352. Jen Devine responded: “Correct.”

353. This email, as did all her others, ended with the ironic sig line: “Every client should be treated with Truth, Fairness, Dignity and Respect.”

354. Unaware that CCDN had turned Mr. Lindsey in to the Texas Attorney General and that his assets were frozen and that TCCS was out of business, Named Plaintiff emailed Mr. Lindsey on 24 September 2009 because “it turns out that the way my account has been handled has forced me to again....request a refund. CCDN and the Credit Card Solution have done absolutely NOTHING to help my situation except to tell me I should look into settling with the credit card companies.”

355. Mr. Lindsey emailed back, claiming in pertinent part: “You signed up last year and we paid the CCDN in full for you. At the time we believed the CCDN to be providing a needed and effective service to people. Unfortunately, that turned out to not be the case.”

356. This statement was false because Mr. Lindsey knew exactly what the CCDN program was, and made over 20 videos promoting it, and Named Plaintiff’s money may have been among the funds that Mr. Lindsey diverted from CCDN.

357. Mr. Lindsey claimed “the CCDN filed a false complaint with the Texas Attorney General’s office” and “With our bank accounts frozen, we are unable to issue any refunds.”

358. On 25 September 2009, Named Plaintiff emailed Phil Manger outlining his disappointment with the useless CCDN program and requested a full refund.

359. Mr. Manger responded in 15 minutes: “Chris, I have just read your email and was sorry to hear of your disappointment in our program. I will respond to your request after we have conducted a thorough review of your account.”

360. Named Plaintiff received no further communication from Mr. Manger.

361. Named Plaintiff wrote Mr. Manger at the UPS Store address by U.S. Certified Mail, item number 7007 0220 0003 7701 3706, received in Chicago at 0918 on 03 October 2009, reminding Defendants that he had done everything they wanted, demanding a refund, and stating: “It took everything I had to come up with \$4500.00 for a program that has done absolutely nothing for my situation.”

362. Defendant S. John Hagenstein emailed a lengthy missive on 07 October 2009, blaming Named Plaintiff for not letting himself be sufficiently abused, claiming that Defendants had done all they were supposed to, and telling him to go ask Bob Lindsey for a refund, but noting that Mr. Lindsey could not do so because his assets were frozen.

363. Named Plaintiff emailed Mr. Hagenstein on 08 October 2009, correctly noting that “your organization is a scam and unfair to the consumer. ... Again, I am demanding a refund of all monies paid to your company.”

364. Mr. Hagenstein responded the same day, again blaming Named Plaintiff for not letting debt collectors abuse him enough, and again telling Named Plaintiff to wait for

Mr. Lindsey's assets to be released.

365. Named Plaintiff emailed Mr. Hagenstein on 13 October 2009: "I'd surely appreciate a response to my last email I sent you containing proof that it had taken me multiple tries to get anything done with my accounts."

366. Mr. Hagenstein responded the same day, claiming he would ask "our Paralegal Team" about it "and get back to you."

367. Mr. Hagenstein did nothing, so Named Plaintiff emailed on 15 October 2009 to say that he had been in contact with a lawyer and was quite prepared to litigate.

368. Mr. Hagenstein responded the same day, again blaming Named Plaintiff for the failure of Defendant's unworkable, fraudulent, ineffective, and illegal program, and again telling Named Plaintiff that only Mr. Lindsey's assets were available for refund.

369. If true, this means that Mr. Hagenstein admitted to never receiving Named Plaintiff's money and letting it be stolen by CCDN Defendants' negligent hiring and retention of Mr. Lindsey to sell their program and receive money from Plaintiffs.

370. Named Plaintiff emailed later on 15 October 2009: "John, My issue is with CCDN and the performance of your company. I'm still waiting on your response from the email I had sent you earlier. The massive amounts of wasted time that your company has created....not my fault. Please reply. Thank you."

371. Named Plaintiff heard nothing more from any Defendant.

Mr. Harrison, Ms. Lucas, and Ms. Hunt Take Action

372. Defendants used the instrumentalities of interstate commerce such as the U.S. Postal Service to engage and attempt to engage in a monetary transaction in criminally derived property of a value greater than \$10,000 that was derived from specified unlawful

activity, including mail, wire, and bank fraud on Mr. Harrison, Ms. Lucas, Ms. Hunt, Ms. Southwood, and Named Plaintiff, and therefore Defendants are engaged in a pattern of racketeering activity, to wit, money laundering per 18 U.S.C. § 1957(a) in addition to all other predicate RICO offenses, with no end in sight and no interference from law enforcement or Bar authorities.

373. Before about June 2008, very few complaints about Defendants had been posted online, and some of those were obviously the product of a disgruntled former associate of Defendants that a prudent person would need independent confirmation to believe (although they did turn out to be materially true), and consequently a reasonable consumer or even consumer lawyer was not on notice before June 2008 of the widespread nature of Defendants' fraud and racketeering activities.

374. But eventually, Mr. Harrison, Ms. Hunt, Ms. Lucas, and Ms. Southwood realized that their money was gone for good, and retained undersigned counsel ("Counsel") on a contingent basis to try to recover some measure of justice from CCDN, Mr. and Mrs. Lock, Mr. Manger, Mr. Webster, Mr. Lindsey, and the various contractors and marketers that CCDN used to defraud them.

375. Mr. Harrison and Ms. Southwood gladly agreed to represent nationwide and statewide classes of CCDN victims.

376. Even though all of his clients' contracts were with "CCDN" and not any corporation, LLC, or other limited liability entity, there are occasional references to "CCDN, LLC" in CCDN's materials, so Counsel searched the corporate records of the secretaries of state of Illinois and New York, where CCDN had offices, and Delaware, where many businesses organize, and North Carolina, where CCDN does business and is

required to gain admittance if it is a corporation or LLC, and found no entity named CCDN, LLC.

377. Counsel commenced *Hunt v. R.K. Lock & Associates*, 08 CVD 883, *Lucas v. R.K. Lock & Associates*, 08 CVD 884, and *Harrison v. Aegis Corp.*, 08 CVD 885 in Bladen County District Court on or about 12 September 2008.

378. Process was served on all defendants by U.S. Certified Mail, 1st class postage prepaid, return receipt requested.

379. Returns of service, signed before a notary under penalty of perjury, are in the court files of all three cases as to all defendants.

380. Federal Debt Relief System and Mark Cella settled confidentially with Ms. Lucas and were dismissed with prejudice.

381. Lawgistix was dismissed without prejudice.

382. All other defendants failed or refused to answer or otherwise respond within the time after service allowed by law.

383. The Clerk of Bladen County Superior Court entered her default against all of them.

384. On 23 October 2009, Mr. Harrison served requests for admission on all 08 CVD 885 defendants except Mr. Webster.

385. All such defendants actually received these requests for admission.

386. No such defendant ever answered them or moved for relief from admissions.

387. Among other things, CCDN, Mr. and Mrs. Lock, and Mr. Manger admitted to valid service of process, jurisdiction over their persons, and liability of \$522,000,000 (five hundred twenty-two million dollars) to a 6,000-person nationwide class for violating

RICO, CROA, NCUOTPA, and NCRICO.

388 . Mr. Harrison filed a motion for class certification, to which no one responded.

389 . Mr. Harrison filed a motion for default judgment, which the court set for hearing on 23 January 2009.

390 . Mr. Harrison filed motions for receivership of all entity defendants and for arrest and bail per NCGS § 1-410(4) and -411 of Mr. Lock, Mr. Manger, and Mr. Kramer, to which no one responded.

391 . Bladen County District Court, Hon. Napoleon B. Barefoot, Jr. presiding, erroneously denied the receivership motion on grounds that District Court had no jurisdiction to appoint receivers, despite binding North Carolina Supreme Court caselaw that expressly holds the opposite.

392 . Mr. Harrison timely served notice of hearing on his motion for arrest and bail for 23 November 2008, which no defendant attended.

393 . Judge Aldridge listened to argument and reviewed the 08 CVD 885 case file including sworn affidavits in support of arrest and bail, and at the conclusion of the hearing, granted Mr. Harrison's motions.

394 . On or about 08 December 2008, Bladen County District Court, Hon. Thomas V. Aldridge presiding, entered orders for the arrest in lieu of \$250,000 bail each of Mr. Lock, Mr. Manger, and Mr. Kramer.

395 . These orders expressly found and concluded that service of process had been sufficient and that the court had personal jurisdiction over Mr. Lock, Mr. Manger, and Mr. Kramer.

396 . To this day, Aegis Corporation, Debt Jurisprudence Inc., David Kramer, and

Marcia Murphy have never appeared in or defended against Mr. Harrison's action.

Lawyer Defendants Begin Laundering Money and Assisting CCDN

397. In or around late November 2008, CCDN Defendants in file numbers 08 CVD 883, 884, and 885 retained Defendants by paying them a fee or retainer from the money they criminally derived from Plaintiffs.

398. Defendants Pittman, Partin, Emanuel, Steve Dunn, and Raymond Dunn, by virtue of their positions as owners and managers of Emanuel & Dunn, PLLC and as supervisors of their employee and agent Defendant Bettis, knew that their clients' sole business and sole source of revenue, proceeds, profits, and earnings was and is a combination of wire fraud, mail fraud, bank fraud, obtaining property by false pretenses, and money laundering, and that it was wrong and illegal to accept money so derived.

399. Lawyer Defendants therefore knew that any money that Robert K. Lock, Jr., Colleen Lock, Philip Manger, John Hagenstein, Richard Russ, Greg Britt, Tracy Webster, CCDN, LLC, R.K. Lock & Associates, the Credit Collections Defense Network, or any of its contractors or marketers, including Robert Mitchell Lindsey and The Credit Card Solution, was criminally derived property that rightfully belongs to Plaintiffs.

400. Lawyer Defendants are thereby engaged in a pattern of racketeering activity by laundering of monetary instruments, punishable by a prison term of 20 years and a \$500,000 fine per 18 U.S.C. § 1956(a)(2)(A) and (a)(3)(A), and an additional count of the same each time they receive another payment from their clients.

401. Lawyer Defendants received in interstate commerce at least three such transmissions of criminally derived property in the form of monetary instruments or wire transfers totaling more than \$10,000 as part of a unified continuous scheme to deprive

Plaintiffs of their property and promote the carrying on of mail, wire, and bank fraud, beginning no later than late November 2008 and continuing to this day, with no interference from law enforcement or Bar authorities.

402. Lawyer Defendants are thereby engaged in a pattern of racketeering activity by engaging in monetary transactions in property derived from specified activity per 18 U.S.C. § 1957(a), punishable by up to ten years in prison and a fine of double the amount of the criminally derived property involved in the transaction per § 1957(b).

403. Lawyer Defendants then distributed Plaintiffs' property among themselves, for their own use and benefit, often by Emanuel & Dunn PLLC first receiving Plaintiffs' property in the form of monetary instruments, including wire transfers, payable to it, and then distributing Plaintiffs' property to other Lawyer Defendants in the form of salary, benefits, profits, dividends, bonuses, equity, and payment of business expenses, and to conceal and disguise the source and ownership of Plaintiffs' property.

404. Lawyer Defendants thus are repeatedly violating 18 U.S.C. §§ 1956(a)(3)(B) and 1957(a), which pattern of racketeering activity continues to this day with no end in sight and no significant interference from law enforcement or Bar authorities.

405. Defendants' inequitable conduct has unjustly enriched them at Plaintiffs' expense, and therefore Lawyer Defendants are constructive trustees of Plaintiffs' property and must turn it back over to them, intact and in full.

Lawyer Defendants Declare War On Plaintiffs and Counsel

406. Instead of confining themselves to lawful and ethical defense of a client for alleged past deeds, Raymond Dunn and Mr. Bettis conspired with each other and with Mr. and Mrs. Lock, Mr. Manger, and Tracy Webster to keep CCDN's fraudulent scheme

alive, to continue violating the Credit Repair Organizations Act, NCUATPA, RICO, and NCRICO, to expand CCDN's business as much as possible, to prevent recovery of Plaintiffs' property from CCDN or anyone else, and to pay Lawyer Defendants with property criminally defrauded from Plaintiffs.

407. Raymond Dunn, Mr. Bettis's boss, then either instructed Mr. Bettis to use, or ratified Mr. Bettis's decision to use, all means, legal or illegal, fair or foul, to win CCDN's unwinnable cases, deprive CCDN's victims of all relief, and help CCDN to continue and expand its business in North Carolina, beginning with a sustained campaign of malicious personal attacks against Counsel and threats to his safety.

408. Raymond Dunn and Mr. Bettis thus formed a partnership and association-in-fact between them, that is, the predecessor entity to BDD and whose liability BDD inherited.

409. Lawyer Defendants thus conspired among themselves and with their clients to do illegal acts and to do legal acts (defense of civil claims) in an illegal way (misrepresent facts and law, argue frivolous legal theories, personally attack and intimidate Plaintiffs and Counsel, and file motions and papers only for delay, all paid for with the money that their clients criminally defrauded from Plaintiffs), rendering them entirely liable for all of each other's and their clients' acts against Plaintiffs.

410. The law does not absolve civil conspirators of liability if two or more of them have an attorney-client relationship, and any attorney-client privilege is subject to breaking under the crime-fraud exception.

411. A key strategy for Mr. Bettis is to say or write things that are not true, over and over, in hopes of making them true by sheer repetition, e.g., he has constantly misrepresented to anyone who will listen that "There's been no service of process in

these cases!” despite the judicially noticeable fact that affidavits of service on all of his clients are right there in the 08 CVD 883, 884, and 885 court files.

412. On 03 December 2008, Ms. Lucas and Ms. Hunt served notice by fax to all their defendants, including the Locks, Mr. Manger, and RKLA/CCDN of hearing on default judgment in their cases on 08 December 2008.

413. Later on 03 December, Defendant Lee W. Bettis, Jr. telephoned Counsel to announce that he would represent the CCDN defendants in Ms. Hunt’s case.

414. Mr. Bettis holds himself out as some sort of RICO specialist and claims to have represented John Gotti and other extremely dangerous underworld figures.

415. Counsel lodged a report on the evening of 04 December 2008 with the Bladen County Sheriff’s Office to the effect that while Counsel was driving through northern Bladen County, Mr. Bettis had telephoned him and communicated threats to him that reasonably could be interpreted (especially given Mr. Bettis’s claim to be an expert in representing racketeers) as credible threats of bodily harm if Counsel did not dismiss with prejudice (without his clients’ permission) all complaints against Mr. Bettis’s clients, to wit, twice shouted at Counsel: “We’re coming after you!” referring to Mr. Bettis’s clients, who are ruthless and very wealthy, and will stop at nothing to get away with their extremely profitable crimes and frauds.

416. Mr. Bettis communicated these threats over interstate wires to attempt to deprive, by wrongful use of fear, Plaintiffs and Counsel of their rights to recover for Defendants’ clients’ wrongdoing and thus committed Hobbs Act extortion, 18 U.S.C. § 1951(a), and extortion per NCGS § 14-118.4, both serious felonies.

417. On the afternoon of 05 December, Counsel was in the Bladen County Courthouse

clerk's office when Mr. Bettis telephoned yet again and revealed, for the first time, that CCDN, LLC was organized in Nevada, and falsely claimed that since CCDN, LLC had not been sued, that a necessary defendant was missing and all the cases would have to be dismissed, and CCDN would collect Rule 11 fees.

418. Mr. Bettis knew this was legally frivolous because according to settled North Carolina law, individuals are liable for their own torts even if they happen to be corporate officers or employees or owners, and CCDN, LLC was a RICO enterprise and therefore not even a possible, much less necessary, federal RICO defendant.

419. Counsel's testimony is not necessary to prove what Mr. Bettis said in these phone calls or any other communications, because Mr. Bettis is obligated to testify truthfully as to what he said, and if he invokes his Fifth Amendment right against self-incrimination, the same raises the presumption that Mr. Bettis is civilly liable for what he said.

420. At the hearing on 08 December 2008, Mr. Bettis served motions to dismiss Ms. Hunt's and Ms. Lucas's cases, frivolously arguing, in writing, lack of personal jurisdiction (without specifically contradicting any of the facts constituting minimum contacts) and that default should be set aside on grounds that (1) CCDN and its personnel themselves determined that they are liable for nothing, and (2) Counsel is a bad lawyer and need not be taken seriously, and therefore they did not answer.

421. Under no stretch of North Carolina law does this constitute good cause for setting aside default, and Mr. Bettis had no reasonable expectation of a favorable ruling.

422. Mr. Bettis wrote a number of personal attacks on Counsel into at least one of the motions to dismiss, such as: "chaotically drafted, unsigned, and unprofessional Complaint," which "Defendant's [*sic*] rightfully dismissed, ad [*sic*] Judge Flanagan and

Judge Boyle had previously dismissed, Livingston's alleged [*sic*] complaint as non-sense [*sic*], and Livingston's actions as unprofessional and not to be taken seriously."

423. Also on 08 December 2008, Counsel hand-served Mr. Bettis with file-stamped copies of the orders for arrest and bail of Mr. Lock, Mr. Manger, and Mr. Kramer in 08 CVD 885, which Mr. Bettis seemed not to care about.

424. No one ever appealed these orders or moved for rehearing of them.

425. More than one Bladen County lawyer or deputy sheriff can testify that beginning with his first appearance in Bladen County, Mr. Bettis has been heard and observed about the courthouse obtaining and spreading untrue gossip regarding Counsel, e.g., that Counsel was fired from his former position as deputy sheriff, in order to embarrass him and harm his reputation in his home county, safe in the knowledge that judicial privilege absolutely protects false statements designed to defame opposing counsel in a case.

426. By stipulation of all parties, all pending motions in Ms. Lucas's and Ms. Hunt's cases were continued to 13 February 2009.

427. Mr. Bettis continued to demand that Counsel dismiss all complaints and replead to include CCDN, LLC as a defendant, even offering to **help Counsel draft valid complaints against Mr. Bettis's own clients**, which any reasonable lawyer in Counsel's position would recognize as a transparent attempt to trick Counsel into throwing away the entries of default against Mr. Bettis's clients.

428. A few days after the 08 December hearing, Mr. Bettis submitted proposed orders to Judge Barefoot that would have dismissed Ms. Hunt's and Ms. Lucas's complaints without prejudice, misrepresenting that Counsel had agreed to such relief and that Judge Barefoot had ruled to that effect.

429 . Judge Barefoot did not sign or enter these orders.

Sharon Southwood Takes Action

430 . On or about 07 January 2009 Ms. Southwood commenced *Southwood v. The Credit Card Solution*, 09 CVS 19 in Bladen County Superior Court, by means of a verified complaint seeking relief for a nationwide class against TCCS, CCDN, Mr. and Mrs. Lock, Mr. Manger, Mr. Lindsey, and CCDN, LLC.

431 . Ms. Southwood set a hearing for 20 January 2009 on motions to appoint receivers for all entity defendants and for Mr. Lindsey's arrest in lieu of bail.

432 . Mr. Lindsey and TCCS received service of process by certified mail on or before 14 January 2009.

433 . Mr. Lindsey immediately retained Mr. Bettis to represent him and TCCS.

434 . Mr. Lindsey or CCDN or both paid Lawyer Defendants a retainer out of the criminally derived property that they defrauded from Plaintiffs, possibly from one or more of the following accounts, identified by the last four digits of the account number: Amegy Bank of Texas 1258, 5353, 2023, 2927; Westbound Bank 5173, 5165, 3297.

435 . Lawyer Defendants all actually knew that their clients' business consisted entirely of wire fraud, mail fraud, bank fraud, obtaining property by false pretenses, and money laundering, and that Mr. Lindsey did not even have the cover of a pretended law practice, and that the only way their clients could have obtained their fee was by unlawful means and probably specified unlawful activity, but nonetheless freely accepted the money and agreed to help their clients stay in business and continue to defraud Plaintiffs, again violating 18 U.S.C. §§ 1956(a)(2)(A) and (a)(3)(A) and 1957(a).

436 . Mr. Bettis telephoned Counsel on 14 January 2009 and demanded that the

receivership and arrest and bail hearings set for 20 January 2009 be continued.

437. On grounds that the urgency of the situation would admit no delay, Counsel declined to consent to such continuance.

438. Mr. Bettis shouted “Nobody’s gonna give you money for your crazy-a** f***ing complaints, ya nut!” and hung up.

439. On the evening of 19 January 2009, a rare significant snowfall occurred in Bladen County, and Superior Court caused notice to be published on the websites of local media that court would be closed 20 January 2009 due to snow.

440. Even though he was on constructive notice of court closure, Mr. Bettis appeared at the Bladen County Courthouse on the morning of 20 January 2009 on behalf of all Southwood defendants, and the court granted him a continuance for all Southwood defendants without consulting Ms. Southwood, although later that morning, the court cancelled all Bladen County civil sessions of Superior Court for that week due to snow.

441. Per NCGS § 1-75.7, this constituted a general appearance and consent to personal jurisdiction of Bladen County Superior Court, waiver of service of process, and waiver of any defect in process, for all defendants in Ms. Southwood’s case.

442. Later on 20 January 2009, Mr. Bettis faxed the 13th Judicial District Trial Court Coordinator falsely alleging that Counsel was a necessary witness and requesting the court to notify him if it sua sponte reached the same conclusion.

443. Per NCGS § 1-75.7, this constituted a general appearance and consent to personal jurisdiction of Bladen County Superior Court, waiver of service of process, and waiver of any defect in process, for all defendants in Ms. Southwood’s case.

Mr. Bettis Skips \$522,000,000 Default Judgment Hearing

444 . In Mr. Harrison's case, 08 CVD 885, Mr. Bettis entered no appearance and filed no motions.

445 . Mr. Harrison served notice on or about 22 December 2008 upon Mr. Bettis of the 23 January 2009 hearing on default judgment and class certification.

446 . In response to this, Mr. Bettis did not ask the District Court for a continuance, or enter an appearance, or answer or defend in any way.

447 . Mr. Bettis instead faxed Counsel demanding a continuance on grounds that Mr. Bettis allegedly had a Superior Court appearance in Craven County on 23 January 2009.

448 . Counsel faxed back to say that such relief might receive favorable consideration if Mr. Bettis would enter a written appearance in 08 CVD 885, provide proof of the alleged Superior Court date, and explain why none of the other lawyers at Emanuel & Dunn could cover Mr. Harrison's hearing.

449 . Mr. Bettis never responded to this fax.

450 . At the 23 January 2009 District Court hearing on default judgment and class certification in Mr. Harrison's case, 08 CVD 885, Counsel and Mr. Harrison were present in court when the case was called.

451 . Even though Mr. Bettis had driven to Bladen County in the snow three days earlier on very little notice, and even though Mr. Bettis had 30 days' actual notice of the 23 January 2009 hearing, neither Mr. Bettis nor any of the defendants in Mr. Harrison's case appeared or defended in any way, nor did any of them notify District Court or the Clerk's office that they would be late or had a schedule conflict.

452 . The law entitled Mr. Harrison and the Class he represented to default judgment and class certification, as prayed in the complaint and established by the requests for

admission that Mr. Harrison's defendants failed to deny, leaving the District Court no discretion to rule otherwise and no just reason for delay.

453. Nonetheless, District Court, Hon. Napoleon B. Barefoot, Jr., presiding, asked if Counsel had heard anything from Defendants, whereupon Counsel produced the fax that Mr. Bettis had sent to him, and the fax that he had sent to Mr. Bettis.

454. Judge Barefoot, even though Mr. Harrison was entitled to default judgment and grant of all motions then and there, and even though Mr. Bettis had not moved the court for relief, unreasonably took Mr. Bettis's side and sua sponte continued the hearings until 13 February 2009, contrary to law and over Mr. Harrison's objection.

455. This would not have happened absent Mr. Bettis's fax.

Bob Lindsey Diverts Money from CCDN

456. At or about this time over in Houston, Mr. Lindsey, instead of remitting TCCS/CCDN customer payments less his contract commission, began keeping most or all of the money that customers sent him for enrollment, in part by falsely telling CCDN that these customers were on time payment plans when they had really paid in full, and eventually accumulated \$469,035, more or less, that was not his.

457. On reasonable inference, information and belief, the motivation for Mr. Lindsey's defalcation, or for the increased amount and frequency of it, was that he realized that Ms. Southwood's lawsuit signified the beginning of the end of TCCS/CCDN.

458. Since Defendants were representing both TCCS/Mr. Lindsey and CCDN's personnel, this established an irreconcilable and unwaivable conflict of interest between clients.

459. At or shortly after this time, Lawyer Defendants learned of this conflict of

interest, but declined to resign from 08 CVD 883, 884, or 885, or from 7:09cv81-F nee 09 CVS 19, because they were making a lot of money.

Mr. Bettis Wrongfully Separates Counsel from Plaintiffs

460. At the 13 February 2009 hearing on Mr. Harrison's, Ms. Hunt's, and Ms. Lucas's motions for default judgment to which they were legally entitled on that date, Mr. Bettis appeared and did not explain his absence from the 23 January hearing.

461. In order to help his clients escape justice for past crimes and torts and to help his clients commit more crimes and torts, Mr. Bettis on or before this date filed affidavits from 08 CVD 883, 884, and 885 defendants containing numerous material falsehoods, e.g., invoked the name "CCDN, LLC" even though neither Mr. Harrison, Ms. Lucas, nor Ms. Hunt ever had any contact, contracts, or dealings with CCDNLLC; that CCDNLLC was completely separate from R.K. Lock & Associates or any individual, when in fact CCDNLLC is only used for fraud and crime and is therefore a disregarded and pierced entity; that Counsel was aware before 04 December 2009 that CCDNLLC was organized in Nevada; that initial process in 08 CVD 883, 884, and 885 had not been served; that no defendant in those files had any contacts with North Carolina even though they all had such contacts; that R.K. Lock & Associates was a "Non-Entity" or "Non-Existent Entity" when all Defendants knew that R.K. Lock & Associates was capable of contract and suit, and had in fact contracted with Aegis Corporation, R&G Marketing, and Bob Lindsey dba The Credit Card Solution, and on 16 February 2009 admitted in *Greene v. Consumer Advocate Foundation Service*, ILND 1:08-cv-6165, DE 30-2, Fed.R.Civ.P. 26(a) disclosures, item I.B., that it was "R.K. Lock & Associates, an artificial person," and has not in its answers in that action or in *Capital One Bank (USA), N.A. v. Carefree Debt*,

Inc., case number 0:08cv2274 in U.S. District Court for the District of South Carolina, raised any defense of lack of capacity to be sued.

462. In order to help his clients escape justice for past crimes and torts and to help his clients commit more crimes and torts, Mr. Bettis maliciously misrepresented numerous facts and law to the District Court, primarily that RKLA/CCDN did not exist; CCDN, LLC was a necessary defendant; and that CCDN was Counsel's employer.

463. Mr. Bettis produced no W-4 form signed by Counsel, no W-2 form issued to Counsel, no paycheck stubs or evidence of direct deposit, no employment agreement, no office location where Counsel was assigned to work, or any other incident of employment, and knew that Counsel was never CCDN's employee; and also knew that even if Counsel had been CCDN's employee, no fiduciary or confidential relationship arises from mere employment.

464. CCDN marketing materials also make it clear that they do not employ attorneys, but at most, contract with referral associates who work only for CCDN customers, receive no pay from CCDN, and do not advise CCDN or serve as counsel to CCDN, especially since CCDN already claims to have all the legal answers to consumer debt and neither needs nor wants to hear any different.

465. Nonetheless, Mr. Bettis persisted in his fraudulent and malicious misrepresentations until he wrongfully and unfairly prejudiced Judge Barefoot against Counsel and Plaintiffs, whereupon the judge removed Counsel from Mr. Harrison's, Ms. Hunt's, and Ms. Lucas's cases on the spot.

466. In open Court, and after he had already achieved everything he had asked for, Mr. Bettis presented District Court with a copy of an order from the Disciplinary Hearing

Commission of the North Carolina State Bar for the sole purpose of embarrassing and harassing Counsel, and also did not serve a copy on Counsel.

467. In the presence of Mr. Harrison and Ms. Hunt in the courtroom when the judge was not present, Mr. Bettis made a number of empty threats upon Counsel, including “This could mean your law license” and (as corporate defense lawyers almost always do) promised that Counsel and his clients would have to pay Mr. Bettis’s fees, which Mr. Bettis represented to be over \$14,000, for bringing a “frivolous” action.

468. Lawyer Defendants knew full well that their clients’ only source of income was and is to separate Plaintiffs from their money by means of mail fraud, wire fraud, bank fraud, obtaining property by false pretenses, and money laundering, and thus Mr. Bettis admitted on their behalf that they chose to engage in one or more monetary transactions in property of a value greater than \$10,000 that Lawyer Defendants knew to be criminally derived, and are guilty of money laundering per 18 U.S.C. § 1957(a).

469. The District Court set the next date for Mr. Harrison, Ms. Hunt, and Ms. Lucas on 06 April 2009.

470. Upon Counsel’s prompt request for ruling, accompanied by a written memorandum of law, Nichole McLaughlin, staff counsel of the North Carolina State Bar, informed Counsel by telephone on or about 18 February 2009 that CCDN and its personnel were not Counsel’s clients and that Counsel had no conflict of interest in suing them, and also that CCDN and its personnel were engaged in UPL.

No Other Lawyer Wants These Cases

471. Though Counsel and his clients searched diligently and talked with several candidates, no other lawyer wanted to take over the case from Counsel, for various

reasons such as complexity, time required, unfamiliarity with relevant law, and most of all the necessity of a contingent fee because nobody could afford to pay hourly fees.

472. Defendants knew full well this was what would happen, and that was their aim in maliciously misrepresenting facts and law--to wrongfully and tortiously interfere with Plaintiffs' recovery from those who defrauded them, and to separate Counsel, literally the only lawyer in the world who was ready, willing, and able to take on CCDN contingent, from Plaintiffs and leave them helpless.

473. As evidenced by his unprofessional and gratuitously belligerent words and deeds, Mr. Bettis's motivation was personal malice and ill-will toward Counsel and Plaintiffs.

474. Counsel and his clients found able local counsel to appear for the limited purpose of rehearing Counsel's disqualification.

475. On or about 23 February 2009, Mr. Bettis filed a motion in Superior Court on behalf of all his clients to disqualify Counsel from Ms. Southwood's case, constituting another general appearance and waiver of all objections to personal jurisdiction, sufficiency of process, sufficiency of service of process, and venue.

476. On 23 February 2009 when Mr. Bettis was in the Bladen County Courthouse, Counsel hand-served discovery upon Mr. Bettis directed to each defendant in Ms. Southwood's case, to wit, The Credit Card Solution, RKLA/CCDN, CCDNLLC, Mr. and Mrs. Lock, Mr. Manger, and Mr. Lindsey, including requests for admission that, among other things, a class of plaintiffs should be certified and that all Southwood defendants were jointly and severally liable to that class for damages totaling \$522,000,000.

477. On 26 February 2009, Mr. Bettis filed an answer on behalf of all defendants in Ms. Southwood's case, without raising any defenses of lack of personal jurisdiction,

insufficiency of process, insufficiency of service of process, or improper venue, thereby again entering a general appearance.

478. But only Mr. Lindsey answered Ms. Southwood's discovery and denied her requests for admission.

479. Through their own or Lawyer Defendants' negligence and inattention, Mr. and Mrs. Lock, Mr. Manger, RCLA/CCDN, CCDNLLC, and The Credit Card Solution all failed or refused to deny, and thereby admitted to, joint and several liability to a nationwide class for \$522,000,000 (five hundred twenty-two million dollars), just as some of them had done in Mr. Harrison's case.

480. One of Mr. Bettis's persistent misrepresentations is that R.K. Lock & Associates, the firm Mr. Lock listed with IARDC as where he worked, doing business as the Credit Collections Defense Network or RCLA/CCDN, was a nonexistent entity incapable of being sued.

481. As Mr. Bettis knew full well, RCLA/CCDN very much exists and is capable of being sued, and what is more, Mr. Bettis knew, and Counsel subsequently discovered, that on 07 February 2007, Bob Lindsey executed a "Referral Agreement" between himself as sole proprietor of The Credit Card Solution, and "RK Lock & Associates (hereinafter 'RCLA/CCDN'), an Illinois legal services provider, the Credit Collections Defense Network," so RCLA/CCDN exists and is capable of contract and therefore suit.

482. On 06 April 2009 in the grand jury room of the Bladen County Courthouse where civil District Court was being held, and in the presence of Mr. Harrison and a visiting lawyer on another case to be heard that day, Counsel presented Mr. Bettis with a copy of RCLA/CCDN's aforementioned Rule 26(a) disclosures in ILND 1:08cv6165 to show that

Mr. Bettis was not correct in his representations that RKLA/CCDN did not exist.

483. Mr. Bettis snarled “Listen, dipsh*t” and haughtily shoved the paper back at Counsel, saying he did not need it, and further questioned aloud how it was that Counsel still had a law license.

484. The District Court continued all three cases until 27 April 2009.

Plaintiffs’ Attempts to Restore Order

485. During the course of 08 CVD 883, 884, and 885, Mr. Bettis sent a number of intemperately phrased faxes and letters to Counsel, falsely threatening that Mr. Bettis and his clients would sue Counsel personally, and irrationally demanding that Counsel drop all cases against Lawyer Defendants’ clients.

486. On or about 14 April 2009, Mr. Bettis faxed yet another imperious missive, again falsely claiming that Counsel was CCDN’s lawyer, falsely promising that Counsel would be called as a witness (even though Counsel was and is an unnecessary witness, and if subpoenaed, would cumulatively testify very harmfully to CCDN, so no sensible CCDN defense lawyer would call Counsel as a witness) and that CCDN, LLC’s answer to Ms. Southwood’s Verified Complaint would contain frivolous third party claims without basis in fact or law against Counsel for breach of contract, breach of fiduciary duty, slander, libel, etc. (even though Mr. Bettis had already answered on 26 February 2009 without bringing any third party claims), all in bad faith and all for the purpose of harassing, oppressing, and wrongfully intimidating Counsel off the case to harm Plaintiffs.

487. Fed up with Mr. Bettis’s unprofessionalism and malicious misrepresentations, Counsel in sheer self-defense on or about 14 April 2009 dispatched a letter to Mr. Bettis, with copy to Defendants Steve Dunn, Raymond Dunn, and Mr. Emanuel, to make sure

that Emanuel & Dunn management had actual knowledge of the unlawful way in which Mr. Bettis was defending his clients.

488. All recipients of that letter are on actual notice that their clients are engaged in nothing but the business of fraud; that Mr. Bettis was defaming and personally attacking Counsel in order to wrongfully gain advantage; that Emanuel & Dunn was likely to be liable for tortious interference if it did not change its ways; that Mr. Bettis had not answered discovery and requests for admission to most of his clients; that any attempt to sue Counsel personally would be a prohibitively expensive failure; and that Lawyer Defendants' clients were expected and required to cease their illegal activity.

489. The only result of this communication is that one or more other Lawyer Defendants told Mr. Bettis not to speak to Counsel without a third person present, which directive Mr. Bettis did not obey, and Mr. Bettis's conduct has continued unabated to this day, resulting in great harm to Plaintiffs by delaying and reducing their rightful relief.

490. In particular, Mr. Bettis's supervisor, Raymond Dunn, did nothing to alter Mr. Bettis's behavior or to stop his clients' nationwide continuing racketeering activity.

491. On 27 April 2009, the District Court heard substitute counsel's argument on motion for rehearing of Counsel's disqualification, and granted same, restoring Counsel to Mr. Harrison's, Ms. Hunt's, and Ms. Lucas's cases.

492. Before the hearing, with neither Counsel nor substitute counsel present in the courtroom (actually the County Commissioners' room that Bladen County often holds court in), Mr. Bettis without permission of Counsel or his substitute approached Mr. Harrison, falsely told him "you have no lawyer" to upset and intimidate him, and tried to settle the case with Mr. Harrison and the Class for unconscionably low terms.

493. At the 30 April 2009 hearing on the motion to dismiss Mr. Harrison's, Ms. Hunt's, and Ms. Lucas's cases, Counsel hand-served memoranda of law in 08 CVD 883, 884, and 885 on Mr. Bettis in court.

494. A short time later, during a break in the proceedings when the judge was not looking, Mr. Bettis approached Counsel, disdainfully tossed the 884 and 885 memoranda onto plaintiffs' table in front of Counsel, and walked away.

495. Counsel noted this disposition on those documents and still has them.

496. Mr. Bettis again invoked his clients' false affidavits, and fraudulently misrepresented to District Court that CCDNLLC was a necessary defendant and that North Carolina had no personal jurisdiction over any defendant.

497. District Court, Judge Barefoot presiding, thus misled and unfairly prejudiced against Plaintiffs and Counsel by Defendants' fraud on the court, dismissed all three cases, and the orders for arrest and bail of Mr. Lock and Mr. Manger.

498. Mr. Harrison, Ms. Hunt, and Ms. Lucas timely filed motions for rehearing.

499. At the 30 April 2009 hearing in Superior Court for disqualification of Counsel from representing Ms. Southwood, Mr. Bettis in order to wrongfully harm Plaintiffs misrepresented in open Court that Counsel was a necessary witness, even though the court file contained far more than enough clear and convincing independent evidence to prove Ms. Southwood's case without any need for Counsel testifying.

500. Mr. Bettis in order to wrongfully harm Plaintiffs misrepresented in open Court that Counsel had a conflict of interest with CCDN, even though Mr. Bettis knew that no person associated with CCDN was Counsel's client and knew that neither Counsel nor Counsel's real clients were misusing CCDN confidential information.

501. Mr. Bettis in order to wrongfully harm Plaintiffs misrepresented in open Court that CCDN was an “educational” organization that actually helped people reduce debts, when he knew for a fact that CCDN was and is a criminal organization selling frivolous and illegal debt elimination and credit repair theories, whose sole business is defrauding as many desperate debtors as possible of as much money as it can.

502. Mr. Bettis in order to wrongfully harm Plaintiffs misrepresented in open Court that Mr. Bettis’s clients or even Ms. Southwood were planning to sue Counsel personally, without ever specifying to whom Counsel was supposed to be liable on what facts and grounds for relief, because Mr. Bettis knew that Counsel had no possible liability and just wanted to get Counsel thrown off the case to deny, delay, or reduce Plaintiffs’ recovery.

503. Mr. Bettis said that Counsel was supposed to have been CCDN’s “feet on the ground” in North Carolina, which means that CCDN wanted Counsel to help them commit crimes and frauds.

504. Mr. Bettis called CCDN a “great company” that would continue to expand its operations in North Carolina.

505. This was Mr. Bettis’s admission on behalf of all other Defendants that they were not engaged in legitimate and ethical civil defense regarding alleged past conduct, but were actively conspiring to perpetrate sham litigation to help them continue and enlarge their racketeering activities with no end in sight.

506. Because Defendants unfairly prejudiced him against Counsel, Bladen County Senior Resident Superior Court Judge Douglas Sasser--without evidentiary support other than Mr. Bettis’s misrepresentations--ruled orally on 30 April 2009 that Counsel must be disqualified for being a necessary witness and a possible defendant (even though Counsel

was in no way liable for CCDN's activities and had done everything he could to get justice for all of CCDN's victims), but expressly declined to rule on conflict of interest, and directed Mr. Bettis to prepare a written order reflecting those findings.

507. Mr. Bettis submitted a proposed order that dishonestly included as proposed Finding of Fact 7 that Counsel should be disqualified for conflict of interest.

508. Judge Sasser was not fooled, and returned the proposed order to Mr. Bettis for correction.

509. Mr. Bettis did so, and the court filed the signed order purporting to disqualify Counsel for allegedly being a necessary witness on or about 19 May 2009.

510. But this order was null and void, because on 15 May 2009 Mr. Bettis and Steve Dunn had already deprived Superior Court of subject matter jurisdiction over 09 CVS 19 by filing with Superior Court a Notice of Removal to U.S. District Court for the Eastern District of North Carolina, where it is now case number 7:09cv81-F.

Ms. Southwood's Case Goes Federal

511. At no later than this time, Steve Dunn began accepting money that he knew was criminally derived property, and actively helping his clients keep Plaintiffs' property away from them, by among other things composing a frivolous motion to dismiss Ms. Southwood's case primarily for the purpose of delay, with the goal of keeping his clients in business and indefinitely continuing to defraud victims and launder money.

512. At no later than this time, the general partnership and association-in-fact of Bettis Dunn & Dunn was complete, and inherited the liabilities of the general partnership between Mr. Bettis and Raymond Dunn.

513. Even though Mr. Bettis knew that Counsel was still representing her, Mr. Bettis

telephoned Ms. Southwood, without informing Counsel beforehand or obtaining Counsel's permission, on or about 20 May 2009, falsely telling her "you have no lawyer" in order to upset, distress, and intimidate her, and aggressively tried to settle the case on unconscionably low terms that provided no relief for the Class.

514. Ms. Southwood declined, and immediately informed Counsel, who in turn immediately informed Steve Dunn and told him to rein in Mr. Bettis.

515. The other Lawyer Defendants were therefore on actual notice that Mr. Bettis was indulging in grossly unethical advocacy.

516. But other than telling him not to contact Counsel's clients again, the other Lawyer Defendants did nothing to change Mr. Bettis's behavior, thereby ratifying it.

CCDN Declares War on TCCS and Mr. Lindsey

517. On 29 May 2009, Colleen Lock on behalf of CCDN, LLC emailed a "CCDN Urgent Communication" to Plaintiffs who came to CCDN through TCCS, alerting these Plaintiffs that TCCS had kept all their money and not remitted CCDN its share.

518. At no later than this point, Lawyer Defendants were ethically obligated per Revised Rule of Professional Conduct 1.7 to resign from representing CCDN and TCCS and all their personnel, because the dispute between those two factions was essentially the same case as Plaintiffs' cases.

519. Nestled among untruths in Ms. Lock's email such as "vast nationwide network of attorneys" and "services that will lead you down the road to financial freedom" was a delicately phrased request: "Our review of your account shows that there is a balance due. If you wish to continue to receive services from us, we will require additional funds to move forward." CCDN will keep helping "as long as your status remains current with

the CCDN. However, these issues with TCCS may affect your status in the program.”

520. In other words, Ms. Lock was demanding that Plaintiffs repay CCDN for what Mr. Lindsey intercepted, or be disenrolled.

521. At about this time, CCDN complained to the Attorney General of Texas that Mr. Lindsey and TCCS had withheld some \$469,035 from them, correctly accusing Mr. Lindsey of running a debt elimination scam, but leaving out the fact that Mr. Lindsey was no more than a salesman for CCDN’s scam, and misrepresenting to TXAG that the missing money was due for “debt relief services.”

522. TXAG credited CCDN’s misrepresentations that it was the victim of Mr. Lindsey’s defalcation, and immediately began an investigation in order to help CCDN recover “its” money, even though Plaintiffs are very much the real victims.

Lawyer Defendants Continue to Represent Both TCCS and CCDN

523. Lawyer Defendants know how CCDN really works, and have no reasonable expectation of prevailing over Ms. Southwood, because she pleaded an insuperable case in excruciating detail, backed up with hundreds of pages of evidence and binding law.

524. Nonetheless, on 22 June 2009, all defendants in the Southwood case filed, over the digital signatures of both Mr. Bettis and Steve Dunn, a Fed.R.Civ.P. 12(b)(6) motion and memorandum, 7:09cv81-F, DE10, containing several material misrepresentations.

525. Mr. Bettis and Steve Dunn on page 20 of their 12(b)(6) memo misrepresented: “Defendants sell information and strategies to consumers which are designed to educate the consumer on how to dispute debts and how to force debt collectors to comply with the Fair Debt Collections [*sic*] [Practices] Act.”

526. As they know, CCDN’s program demands of Plaintiffs the opposite, i.e., that

Plaintiffs provoke and encourage as much collection abuse as possible in (false) hopes of racking up damages under FDCPA.

527. Mr. Bettis and Steve Dunn on page 7 falsely listed www.uofmoney.com as one of “other sources unaffiliated with Defendants.”

528. But <http://www.uofmoney.com/services/fsi.htm> reports that “FSEI and Attorney Robert Lock are collaborating in order to speed development of the CCDN, Credit Collections Defense Network.”

529. <http://www.uofmoney.com/Cutting-Edge.htm> lists Mr. Lock as one of its seminar speakers on the topic of debt relief, so it is not unaffiliated with him.

530. Mr. Bettis and Steve Dunn continued to misrepresent, 12(b)(6) memo at 20-21: “[CCDN’s] system: (1) requires debt collectors to substantiate that they are the true record holders of the debt and (2) demands that if the collectors cannot prove they are the record holder of the debt, that they cease and desist collections against CCDN clients.”

531. As Mr. Bettis and Steve Dunn know, CCDN’s “substantiation” consists only of legally frivolous form letters, transcribed *supra*, that cannot and do not invalidate any debt, and far from demanding that collectors cease communication (which requires only one cease-comm letter to each agency) of debt that the customer does not owe, CCDN’s program instead requires customers to stop paying debt that they do owe, and then to provoke collection agencies and debt buyers into committing as many FDCPA abuses and violations as possible in the (false) hope of racking up damages to offset debt.

Mr. Lindsey and TCCS Meet Their Doom

532. On or about 08 July 2009, the Texas AG filed *Texas v. Jubilee Financial Services* (one of the entities that Mr. Lindsey recently formed to try to hide assets and dodge

liability), case number 2009-43253 in Harris County District Court, 215th Judicial District, and obtained a temporary restraining order, later extended as a preliminary injunction on 21 July 2009, requiring Mr. Lindsey to cease his violations of Texas unfair trade and business opportunity law, stopping all of his business operations, freezing all of his assets, and ordering him to turn over his and Plaintiffs' records.

533. Ms. Southwood prominently mentioned this development in her response to Defendants' 12(b)(6) motion on 13 July 2009, putting all Lawyer Defendants on notice of this insuperable and unwaivable conflict if they did not know before.

534. Lawyer Defendants nonetheless stayed on the case and filed a reply to this response on 07 August 2009, not mentioning how they proposed to deal with the conflict.

535. Trial is set for early February 2010, and the Texas AG has already had to obtain court orders for Mr. Lindsey to turn over the required business records and to stop running his new debt elimination scam known as Freedom From Debt Alliance.

536. The Texas court on 09 November 2009 granted TXAG's motion for sanctions against Mr. Lindsey for disobedience of the court's orders compelling discovery, and refusing to turn over a single document of all those he had been ordered to.

Mr. Bettis Again Attacks Counsel to Harm Plaintiffs

537. Defendants admitted in Rule 11 motions in 08 CVD 883, 884, and 885: "To date Manger and Lock have expended \$27,743 in attorney fees defending this and the two companion cases filed in district court."

538. Defendants thereby admitted yet again to a pattern of racketeering activity, to wit, 18 U.S.C. §§ 1956(a)(2)(A), (a)(3)(A), and 1957(a) money laundering.

539. At rehearing on 18 September 2009, Mr. Bettis maliciously misrepresented to

District Court, Hon. Sherry Dew Tyler presiding, that Counsel was CCDN's employee; Superior Court had disqualified him for conflict of interest; and Counsel was in violation of his "ethical obligations," and handed to the bench (without giving Counsel a copy) of the Superior Court disqualification order that proved Mr. Bettis wrong.

540 . Upon Counsel's pointing out that the Superior Court order had been entered after loss of subject matter jurisdiction to federal court and was of no effect, and that the order contained no finding of conflict of interest, and that Mr. Bettis had himself drafted the order and therefore knew exactly what was and was not in it, Mr. Bettis then falsely claimed to have been mistaken.

541 . Mr. Bettis concealed from the court his own unwaivable conflict of interest in representing both CCDN and TCCS factions, which had long been at each other's throats, and that neither he nor any other Lawyer Defendant had any business being there.

542 . Nonetheless, Judge Tyler, misled by Judge Barefoot's earlier findings, which Mr. Bettis had procured by fraud on the court, and by Mr. Bettis's further misrepresentations of fact and law on 18 September 2009 made for the purpose of maliciously denying Plaintiffs the relief that the law entitled them to, and so Defendants could wrongfully retain Plaintiffs' property that Defendants had obtained by crime and fraud, ruled that all motions for rehearing would be denied on grounds that CCDNLLC was a necessary defendant and that North Carolina lacked minimum contacts as to CCDN Defendants, and even as to Aegis Defendants in Mr. Harrison's case.

543 . Judge Tyler further erroneously granted Defendants' Rule 11 motions, finding without evidence other than Defendants' false affidavits that Counsel's cases were without basis in fact and were filed for an improper purpose, though she never hinted at

what such improper purpose was supposed to have been, and believed Mr. Bettis's fee affidavits wholesale and ordered Counsel to pay personally \$27,743 to Defendants, one third in each of 08 CVD 883, 884, and 885.

544. This was erroneous because Counsel has no ability to pay such outlandish sums, and if he did, would be financing a racketeer influenced and corrupt organization in violation of 18 U.S.C. §§ 1341, 1343, 1344, 1956, 1957 and 2, which Art. VI Cl. 2 of the Constitution forbids any state judge to do.

545. Defendants' sham litigation so misled Judge Tyler and unfairly prejudiced her against Plaintiffs and Counsel that, contrary to law, she even dismissed 08 CVD 885 as to Aegis Corporation, Debt Jurisprudence, Inc., M. David Kramer, and Marcia M. Murphy, even though they had stood defaulted for eleven months, failed to deny requests for admission to damages of some \$42,000,000 to a nationwide class, and did not answer or defend in any way, and even though Mr. Harrison had presented insuperable evidence of liability and damages, together with printed emails of Mr. Kramer in the name of Aegis Corporation and Debt Jurisprudence directing Mr. Harrison to send money to him, incontestably establishing personal jurisdiction.

546. Defendants' sham litigation so unfairly prejudiced Judge Tyler that she improperly told Counsel that the cases had been brought "in the wrong court" and should have been brought in Superior Court or federal court, even though District Court has jurisdiction over the subject matter of 08 CVD 883, 884, and 885 and no judge of that court may refuse to hear those cases, but must decide them according to law, and therefore District Court is, by definition, the right court.

547. Mr. Harrison, Ms. Hunt, Ms. Lucas, and Counsel filed written notices of appeal

on 09 November 2009 and have every reasonable expectation of reversal and remand from the Court of Appeals of North Carolina directing certification of a class and entry of judgment for over \$522,000,000 in 08 CVD 885, reversal and remand for hearing on default judgment in 08 CVD 883 and 884, and vacatur of all sanctions against Counsel.

548. Defendants' malicious, fraudulent, and unlawful conduct in 08 CVD 883, 884, and 885 constitutes sham litigation that deprived the Bladen County District Court of legitimacy, and delayed Plaintiffs' recovery by wrongfully getting Counsel disqualified for a significant length of time, wrongfully obtaining dismissal contrary to law, wrongfully delaying entry of an appealable final order, and allowing Defendants more time to continue their fraud against innocent Americans and to launder and hide the proceeds, thus severely reducing Plaintiffs' recovery.

549. Defendants are still defending Ms. Southwood's case and will continue to do so through judgment and execution, which will take up to 20 years to litigate and collect on because of the large amount, and are still laundering Plaintiffs' money that Defendants defrauded from Plaintiffs, constituting a serious threat of continuing racketeering activity until law enforcement stops them.

Mr. Lindsey Strikes Back Against CCDN

550. On 22 September 2009, Mr. Lindsey moved for leave to file a third party petition in the Texas case against RKLA/CCDN, Mr. Lock, Mr. Manger, and CCDNLLC, admitting that he had been acting in concert with them, blaming them for everything that he had done, and claiming that he had only been following their directions, and also claiming that they had most of the money, all of which Mr. Lindsey swore to under penalty of perjury.

551. The Texas court granted leave and considered the petition filed on 02 October.

552. Judge Tyler entered written orders on 29 October 2009 in 08 CVD 883, 884, and 885 substantially consistent with her in-court rulings of 18 September 2009.

553. The Texas court issued third party citations to RKLA/CCDN, Mr. Lock, Mr. Manger, and CCDNLLC on or about 03 November 2009.

Law Enforcement Action Against Defendants

554. West Virginia Attorney General Darrell McGraw received a single complaint about CCDN and its Active-Debt.com alter ego and promptly served an administrative investigative request upon CCDN and Mr. Lock, who ignored it, so on 30 March 2009. Mr. McGraw obtained an injunction from Kanawha County Circuit Court prohibiting Mr. Lock and CCDN from debt adjusting in West Virginia until they cooperate with the investigation.

Law Enforcement Inaction Against Defendants

555. In all other jurisdictions besides West Virginia, CCDN, Mr. and Mrs. Lock, Mr. Manger, Mr. Webster, and all other people directly associated with CCDN seem to enjoy inexplicable protection from law enforcement and Bar discipline, despite numerous Plaintiffs' written complaints and the thousands of ruined lives and hundreds of millions of dollars in damage they have been causing since at least 2004.

556. The Illinois Attorney Registration and Disciplinary Commission received actual notice in December 2008 of Mr. Lock's grossly unethical conduct and grievous harm to the public, and has taken no action.

557. The Departmental Disciplinary Commission of the New York State Supreme Court, Appellate Division, First Department received actual notice in December 2008 of

Mr. Manger's grossly unethical conduct and grievous harm to the public, and has taken no action.

558. The Illinois Attorney General has received actual notice, in the form of at least four written complaints, of CCDN's racketeering activities, and has taken no action.

559. The Kansas Attorney General has received many complaints from consumers, but is only beginning an investigation and will not take action for months, if ever.

560. The Texas Attorney General has done nothing to CCDN, even though it is obviously the source of Mr. Lindsey's debt elimination scam that TXAG denounced.

561. The North Carolina Attorney General received written notice in April 2009 of all of Plaintiffs' pending NCRICO cases against CCDN, and since all the hard work has been done and they have received Word files of Counsel's writings ready to copy and paste, it would require no more than one working week for one assistant attorney general to draft a thorough and bulletproof complaint and motion for temporary restraining order, file the case and get summonses issued, obtain a temporary restraining order and appointment of receivers, and compose a press release.

562. On 09 September 2009, NCAG emailed to say they were just too busy and would not lift a finger to aid Plaintiffs, even though at least twelve Plaintiffs are North Carolinians who have suffered some \$300,000 in damages at Defendants' hands.

563. The Authorized Practice Committee of the North Carolina State Bar has actual knowledge of CCDN's UPL in North Carolina, and has taken no action or even considered the matter at any of its meetings.

564. The 13th District Attorney received by hand delivery in September 2008 a request for investigation, injunction, and prosecution of UPL, but has taken no action even

though NCGS § 84-7 requires him to.

565. The U.S. Secret Service, which has jurisdiction over crimes against federally insured banks, investigated CCDN and tried to get the U.S. Attorney's Office for the Eastern District of North Carolina to prosecute the case, but even though CCDN is committing the same types of crimes and frauds for which other USAOs have prosecuted other fraudsters and obtained convictions and lengthy active sentences, the Eastern District USAO claimed not to see a federal crime here, and declined to prosecute.

566. The Federal Trade Commission has likely received a number of complaints about CCDN, but since it has the Herculean if not Sisyphean task of protecting all consumers in the United States from all scams and frauds, FTC cannot be counted on to shut down any one particular scam, and to date FTC has taken no action against CCDN.

567. In *Southwood v. The Credit Card Solution*, NCED 7:09cv81-F, Ms. Southwood's fully briefed motions for summary judgment and for appointment of receivers, supported by 69 exhibits (not one of which Defendants have denied, contradicted, or disproved) and a verified complaint conclusively proving her entitlement to relief, have been pending for weeks without any indication of a decision, despite Ms. Southwood's repeated pleas in her case for immediate action on at least the receivership motion, and it is not uncommon for this Court to take six to twelve months to decide such matters.

NCGS § 1D-35 Aggravating Factors for Punitive Damages

568. Defendants' conduct against Plaintiffs and Counsel is willful, wanton, and premeditated, and continues with no end in sight.

569. Defendants have defrauded the courts and deprived them of legitimacy, and wrongfully prevented Plaintiffs from recovering their property and damages by willfully

misrepresenting facts and law and thereby achieving their desired results in the Bladen County Courthouse on 08 December 2008, 13 February 2009, 30 April 2009, and 18 September 2009, all to assist Defendants' escape from the consequences of their fraud against Plaintiffs and to perpetuate and expand their fraudulent debt elimination and credit repair scam on additional desperate people.

570. Defendants, especially Mr. Bettis, have displayed an attitude, pattern, policy, and practice of personal hostility and sheer malice against Plaintiffs and Counsel, evidenced by: Mr. Bettis's threats to Counsel's personal safety; obtaining (or concocting) and spreading untrue gossip concerning Counsel in his home courthouse; name-calling and use of profanity; threats of meritless lawsuits to harass and oppress Plaintiffs and Counsel; actual harassment and oppression by filing frivolous motions to dismiss and for sanctions; gratuitous and malicious embarrassment of Counsel by misrepresenting his Bar disciplinary record in open Court; dishonest attempts to get cases dismissed and Counsel disqualified by trickery; meritless threats to Counsel's law license; attempted intimidation by misrepresenting that Counsel would be jailed for contempt of court in Ms. Southwood's case; depriving Plaintiffs of Counsel's honest services by means of frivolous and fraudulent disqualification motions; contacting two of Counsel's clients without Counsel's permission; falsely telling said clients "you have no lawyer" in order to upset and intimidate them into settling on unconscionably low terms; and generally vilifying Counsel and Plaintiffs for suing CCDN/TCCS and its personnel even though Mr. Bettis knows as well as anyone else that his clients' sole business and source of revenue is fraud and crime, and Mr. Bettis also knows that Plaintiffs' claims against his clients are indefensible.

571. Defendants' motives (to deprive Plaintiffs of their property, defraud banks and other lenders of rightful repayment, escape justice for fraud and crime, perpetuate and expand their wrongdoing) and Defendants' conduct (use of illegal means including sham litigation and fraud on the court, motivated in large part by personal ill-will and malice toward Plaintiffs and Counsel) were and are reprehensible in the extreme, and aggravated by certain Defendants' positions of trust and profit as members of the Bar and officers of the court.

572. Defendants' conduct was, at the time, likely to cause and did cause serious harm to Plaintiffs, to wit, over \$24,000,000 of money defrauded from Plaintiffs and some \$150,000,000 in extra interest, fees, costs, and penalties from following Defendants' directions, and Lawyer Defendants accepted Plaintiffs' money in payment to keep their clients' fraudulent scheme up and running for many additional months, ruining more lives every day all over the country, with no end in sight, and depriving Plaintiffs of their rightful recovery.

573. Defendants were perfectly aware of the consequences of their conduct, especially Mr. Lock, Mr. Manger, and Lawyer Defendants, all experienced lawyers who knew exactly what they were doing and who calculated their actions to gratuitously harm Plaintiffs by means well outside the bounds of Lawyer Defendants' legitimate defense of their clients.

574. CCDN/TCCS Defendants' conduct has been going on since 2004, and Lawyer Defendants' conduct has been going on since at least November 2008, all of which continues with no end in sight and no significant interference from law enforcement; and Mr. Bettis personally represented on 30 April 2009 in open court that CCDN is a "great

company” that will continue to expand its operations in North Carolina.

575 . Plaintiffs’ actual damages are at a bare minimum the fees that Plaintiffs paid to Defendants, estimated at easily over \$8,000,000 and probably over \$24,000,000, and since Defendants are perpetuating a debt elimination and credit repair scam that by its own admission has induced its 6,000 victims not to pay back \$150 million in credit card debt, Defendants are liable for that amount plus the many millions directly defrauded from Plaintiffs.

576 . Defendants have attempted to conceal the facts and consequences of their conduct by among other things excessively fragmenting their enterprise into dozens of alter egos and aliases that no legitimate business needs, and by misrepresenting in court papers and oral argument that CCDN/TCCS is an “educational” organization that helps consumers reduce their debt, when Defendants know full well that CCDN/TCCS’s only business is defrauding desperate people, laundering the money defrauded from them, and leaving them in even more debt.

577 . Defendants have profited handsomely from their conduct, raking in at least \$8,000,000 and probably over \$24,000,000.

578 . Defendants are either career confidence men who have made many millions off of Plaintiffs, or well-to-do corporate lawyers with considerable ability to pay punitive damages, and the latter also doubtless have insurance coverage for at least some of the occurrences that give rise to this action.

579 . On 14 October 2009, Plaintiffs demanded their money back to the extent of Defendants’ ability to pay, but Defendants have not tendered any of it.

580 . On 09 November 2009, Plaintiffs again demanded their money back, whereupon

Mr. Bettis telephoned Counsel and claimed that CCDN/TCCS were legitimate businessmen, and that Counsel would be thrown in jail for contempt of court.

PRAYER FOR RELIEF

581. COUNT I: CONSTRUCTIVE TRUST--The facts as pleaded above show that Defendants received Plaintiffs' property by means of Defendants' defrauding it from Plaintiffs, or received Plaintiffs' property from other Defendants, unjustly enriching Defendants and entitling Plaintiffs to an order appointing Defendants constructive trustees of all money received from Plaintiffs, followed by an order requiring Defendants to transfer said money to Plaintiffs, the beneficiaries of said constructive trust.

582. COUNT II: UNJUST ENRICHMENT--The facts as pleaded above show that TCCS/CCDN Defendants' sole source of income was to defraud Plaintiffs of their property, and the sole source of Lawyer Defendants' fees for defending against Plaintiffs' claims and keeping Plaintiffs' property away from Plaintiffs was the money that Lawyer Defendants' clients defrauded from Plaintiffs, thus unjustly enriching Defendants and entitling Plaintiffs to damages in that amount jointly and severally from all Defendants.

583. COUNT III: CONVERSION--The facts as pleaded above show that Defendants wrongfully deprived Plaintiffs of their property by means of mail and wire fraud and false pretenses, or by receiving it from other Defendants who so obtained it from Plaintiffs, and then willfully continued to wrongfully deprive Plaintiffs of their property by means including but not limited to willfully keeping Plaintiffs' property for their own use instead of giving it back to Plaintiffs, entitling Plaintiffs to actual damages plus the maximum punitive damages allowed by law.

584. COUNT IV: NORTH CAROLINA RACKETEER AND CORRUPT

ORGANIZATIONS ACT--The facts as pleaded above show that Individual Defendants unlawfully conducted the affairs of the RICO Enterprises through an unlawful pattern of racketeering activity per NCGS § 75D-3(c)(1)b, (c)(1)c, and (c)(2) that continues with no end in sight, to wit, two or more offenses of obtaining property by false pretenses in violation of NCGS § 14-100, and at least one act of extortion on or about 04 December 2008 by threatening Counsel with bodily harm to induce him to give up Plaintiffs' right to recovery, violating 18 U.S.C. § 1951 and NCGS § 14-118.4, and two or more acts in violation of NCGS § 75D-3(c)(1)c and 18 U.S.C. §§ 1956 and/or 1957 of affecting interstate commerce by laundering money criminally derived from Plaintiffs by means of specified unlawful activity including mail, wire, and bank fraud per 18 U.S.C. §§ 1341, 1343, and 1344, and conspired among themselves and with Entity Defendants to keep Plaintiffs' property away from Plaintiffs and perpetuate their pattern of racketeering activity, and thereby caused actual economic loss to Plaintiffs in the amount of \$24,000,000 directly defrauded and \$150,000,000 in extra fees, penalties, costs, and interest from following Defendants' instructions, totaling \$174,000,000 (which is also the entire amount of damages owed to Plaintiffs in Bladen County file numbers 08 CVD 883, 884, and 885, and U.S. District Court for the Eastern District of North Carolina case number 7:09cv81-F), thus violating NCGS § 75D-4 and entitling Plaintiffs to triple damages of \$522,000,000, cumulatively per NCGS § 75D-10 with any other theory of relief including additional triple damages under federal RICO, together with a reasonable attorney's fee and the costs of the action, jointly and severally from all Defendants, per NCGS § 75D-8.

585. COUNT V: CREDIT REPAIR ORGANIZATIONS ACT--The facts as pleaded

above show CCDN Defendants and TCCS Defendants accepted advance payment before doing work, and falsely promised credit repair or credit restoration, and that Lawyer Defendants agreed and conspired with their clients to use unlawful means of advocacy, including fraudulent denial that any other Defendant was a credit repair organization or had violated CROA, to enable their clients to continue violating CROA and prevent recovery of Plaintiffs' property, rendering all Defendants liable for all of their clients' acts in violation of CROA and entitling Plaintiffs to actual damages and punitive damages, together with a reasonable attorney's fee and the costs of the action per 15 U.S.C. § 1679g.

586. COUNT VI: RACKETEER INFLUENCED AND CORRUPT ORGANIZATIONS ACT--The facts as pleaded above show that Individual Defendants unlawfully conducted the affairs of the RICO Enterprises through an unlawful pattern of racketeering activity that continues with no end in sight, including but not limited to use of the RICO Enterprises to commit at least one act of extortion on or about 04 December 2008 by threatening Counsel with bodily harm to induce him to give up Plaintiffs' right to recovery, violating 18 U.S.C. § 1951 and NCGS § 14-118.4, and two or more acts of affecting interstate commerce by receiving across state lines property of greater value than \$10,000 that their clients criminally derived from Plaintiffs by means of specified unlawful activity including mail, wire, and bank fraud per 18 U.S.C. §§ 1341, 1343, and 1344, and laundering it in violation of 18 U.S.C. §§ 1956 and 1957, and thereby caused actual economic loss to Plaintiffs in the amount of \$24,000,000 directly defrauded plus at least \$150,000,000 of extra fees, costs, penalties, and interest resulting from Plaintiffs' following Defendants' instructions (also defined as the entire damages owed to Plaintiffs

in Bladen County file numbers 08 CVD 883, 884, and 885, and U.S. District Court for the Eastern District of North Carolina case number 7:09cv81-F), thus violating 18 U.S.C. § 1962(c) and (d) and entitling Plaintiffs to triple damages of no less than \$522,000,000 together with a reasonable attorney's fee and the costs of the action, jointly and severally from all Individual Defendants per 18 U.S.C. § 1964(c).

587. COUNT VII: CIVIL CONSPIRACY--The facts as pleaded above show that Defendants conspired among themselves to commit, and each conspirator did commit in furtherance of said conspiracy, wrongful and unlawful acts upon Plaintiffs, injuring Plaintiffs by perpetuating and expanding their fraudulent racketeering enterprises and by violations of the Credit Reporting Organizations Act, and by sham litigation for the purpose of tortiously interfering with Plaintiffs' rightful recovery, rendering each conspirator liable for all acts of each and every other conspirator as to all substantive counts, regardless of when any Defendant joined or left the conspiracy.

588. COUNT VIII: PIERCING THE CORPORATE/LLC VEIL--The facts as pleaded above show that Individual Defendants used Entity Defendants as a shield for illegal activity (mail fraud, wire fraud, bank fraud, money laundering) and intentionally tortious conduct in violation of the declared public policy of the United States and of North Carolina, and also that Individual Defendants used Entity Defendants to carry out their scheme and inequitably prevent Plaintiffs from recovering their own property, and also failed to observe corporate formalities and excessively fragmented their enterprises not for any legitimate business need but for the purpose of evading responsibility for their wrongful acts, such that Individual Defendants are one and the same with their alter egos Entity Defendants and are personally liable for all acts of Entity Defendants.

589. COUNT IX: TORTIOUS INTERFERENCE WITH PROSPECTIVE BUSINESS ADVANTAGE--The facts as pleaded above show that Plaintiffs had a reasonable expectation of recovering damages to which they were legally entitled in Bladen County file numbers 08 CVD 883, 884, and 885, and U.S. District Court for the Eastern District of North Carolina case number 7:09cv81-F, totaling not less than \$522,000,000, but Defendants prevented, reduced, or delayed Plaintiffs' recovery, not in the legitimate exercise of any Defendant's own rights, but with design to injure Plaintiffs by means of sham litigation, willfully and maliciously misrepresenting facts and law to courts and opponents in order to win in the absence of reasonable expectation of a favorable ruling, and willfully and maliciously depriving Plaintiffs of Counsel's services, as evidenced by Mr. Bettis's demonstrated personal malice and hostility toward Plaintiffs and Counsel, when Defendants knew that there was no good faith defense to Plaintiffs' claims, rendering Defendants liable for the entire amount of damages owed to Plaintiffs in Bladen County file numbers 08 CVD 883, 884, and 885, and U.S. District Court for the Eastern District of North Carolina case number 7:09cv81-F, together with punitive damages sufficient to punish and deter similar malicious and willful misconduct.

590. COUNT X: GROSSLY AND WILLFULLY NEGLIGENT SUPERVISION AND RETENTION--The facts as pleaded above show that all Lawyer Defendants except Mr. Bettis negligently supervised him, despite all Lawyer Defendants' knowledge of his misbehavior, and thereby allowed him to violate the Revised Rules of Professional Conduct, behave unprofessionally and abusively toward Counsel and Plaintiffs, fraudulently misrepresent material issues of fact and law to tribunals and opponents with the purpose and effect of depriving said tribunals of legitimacy and illegally and

wrongfully delaying and denying relief to which Plaintiffs were legally and unquestionably entitled, and use means and methods of advocacy that had no purpose other than malicious embarrassment, harassment, and oppression of Plaintiffs and Counsel; and despite actual knowledge of the foregoing, all other Lawyer Defendants retained Mr. Bettis in their service and allowed, requested, or ordered him to keep on acting that way in order to keep on winning in the absence of reasonable expectation of a favorable ruling, thus entitling Plaintiffs to actual damages from all other Lawyer Defendants besides Mr. Bettis, including but not limited to the full amount due to Plaintiffs from Defendants' clients in Bladen County file numbers 08 CVD 883, 884, and 885, and U.S. District Court for the Eastern District of North Carolina case number 7:09cv81-F of \$522,000,000, together with punitive damages to the extent that Defendants' negligence was willful or wanton.

WHEREFORE, Plaintiffs pray judgment against Defendants for damages as pleaded above, totaling not less than \$1,044,000,000 (one billion forty-four million dollars) plus such maximum punitive damages as are consistent with CROA, NCGS Chapter 1D, the common law, and constitutional due process, together with the costs of the action and a reasonable attorney fee, plus other and further relief as this Court finds lawful and just.

TRIAL BY JURY IS HEREBY DEMANDED OF ALL ISSUES SO TRIABLE.

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