UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NEW YORK

CONSUMER FINANCIAL PROTECTION BUREAU, THE PEOPLE OF THE STATE OF NEW YORK, BY LETITIA JAMES, ATTORNEY GENERAL OF THE STATE OF NEW YORK, STATE OF COLORADO, ex rel. PHILIP J. WEISER, ATTORNEY GENERAL, STATE OF DELAWARE ex rel. KATHLEEN JENNINGS, ATTORNEY GENERAL,STATE OF DELAWARE, THE PEOPLE OF THE STATE OF ILLINOIS, through ATTORNEY GENERAL KWAME RAOUL, THE STATE OF MINNESOTA, by its ATTORNEY GENERAL, KEITH ELLISON, THE STATE OF NORTH CAROLINA , ex rel. Joshua H. Stein, Attorney General, and THE STATE OF WISCONSIN,

Plaintiffs,

v.

STRATFS, LLC (f/k/a STRATEGIC FINANCIAL SOLUTIONS, LLC), STRATEGIC CLIENT SUPPORT, LLC (f/k/a PIONEER CLIENT SERVICES, LLC), STRATEGIC CS, LLC, STRATEGIC FS BUFFALO, LLC, STRATEGIC NYC, LLC, BCF CAPITAL, LLC, T FIN, LLC, STRATEGIC CONSULTING, LLC, VERSARA LENDING, LLC, STRATEGIC FAMILY, INC., ANCHOR CLIENT SERVICES, LLC (NOW KNOWN AS CS 1 PAAS SERVICES, LLC), BEDROCK CLIENT SERVICES, LLC, BOULDER CLIENT SERVICES, LLC, CANYON CLIENT SERVICES, LLC, CAROLINA CLIENT SERVICES, LLC, GREAT LAKES CLIENT SERVICES, LLC, GUIDESTONE CLIENT SERVICES, LLC, HARBOR CLIENT

CASE NO.

COMPLAINT FOR INJUNCTIVE RELIEF, RESTITUTION, AND CIVIL MONEY PENALTIES

SERVICES, LLC, HEARTLAND CLIENT SERVICES, LLC, MONARCH CLIENT SERVICES, LLC (NOW KNOWN AS CS 2 PAAS SERVICES, LLC), NEWPORT CLIENT SERVICES, LLC, NORTHSTAR CLIENT SERVICES, LLC, OPTION 1 CLIENT SERVICES, LLC, PIONEER CLIENT SERVICING, LLC, ROCKWELL CLIENT SERVICES, LLC, ROYAL CLIENT SERVICES, LLC, STONEPOINT CLIENT SERVICES, LLC, SUMMIT CLIENT SERVICES, LLC (NOW KNOWN AS CS 3 PAAS SERVICES, LLC), WHITESTONE CLIENT SERVICES, LLC, RYAN SASSON, JASON BLUST, and UNIDENTIFIED JOHN DOES 1-50,

Defendants, and

DANIEL BLUMKIN, ALBERT IAN BEHAR, STRATEGIC ESOP, STRATEGIC ESOT, TWIST FINANCIAL, LLC, DUKE ENTERPRISES, LLC, BLAISE INVESTMENTS, LLC, THE BLUST FAMILY IRREVOCABLE TRUST THROUGH DONALD J. HOLMGREN, TRUSTEE, JACLYN BLUST, LIT DEF STRATEGIES, LLC, and RELIALIT, LLC,

Relief Defendants.

Introduction

1. The Consumer Financial Protection Bureau (Bureau) and the State of New York, the State of Colorado, the State of Delaware, Attorney General, the People of the State of Illinois, the State of Minnesota, the State of North Carolina, and the State of Wisconsin (collectively, the States) file this Complaint against StratFS, LLC (f/k/a Strategic Financial Solutions, LLC), Strategic Client Support, LLC (f/k/a Pioneer Client Support, LLC), Strategic CS, LLC, Strategic FS Buffalo, LLC, Strategic NYC, LLC, BCF Capital, LLC, T Fin, LLC, Strategic Consulting, LLC, Versara Lending, LLC, Strategic

Family, Inc. (collectively, SFS), Anchor Client Services, LLC (now known as CS 1 PAAS Services, LLC), Bedrock Client Services, LLC, Boulder Client Services, LLC, Canyon Client Services, LLC, Carolina Client Services, LLC, Great Lakes Client Services, LLC, Guidestone Client Services, LLC, Harbor Client Services, LLC, Heartland Client Services, LLC, Monarch Client Services, LLC (not known as CS 2 PAAS Services, LLC), Newport Client Services, LLC, Northstar Client Services, LLC, Option 1 Client Services, LLC, Pioneer Client Servicing, LLC, Rockwell Client Services, LLC, Royal Client Services, LLC, Stonepoint Client Services, LLC, Summit Client Services, LLC (now known as CS 3 PAAS Services, LLC), Whitestone Client Services, LLC (collectively, Client Services Subsidiaries), Ryan Sasson, Jason Blust (collectively, Individual Defendants), and Unidentified John Does 1-50, which are additional SFS companies and Client Services Subsidiaries that are currently unknown.

2. The Bureau and the States (collectively Plaintiffs) file this Complaint against Daniel Blumkin, Albert Ian Behar, Strategic ESOP, Strategic ESOT, Twist Financial, LLC, Duke Enterprises, LLC, Blaise Investments, LLC, the Blust Family Irrevocable Trust Through Donald J. Holmgren, Trustee, Jaclyn Blust, Lit Def Strategies, LLC, and Relialit, LLC as Relief Defendants.

3. The Bureau brings this action under the Telemarketing and Consumer Fraud and Abuse Prevention Act (Telemarketing Act), 15 U.S.C. §§ 6102(c), 6105(d); the Telemarketing Sales Rule (TSR), 16 C.F.R. pt. 310; and Sections 1031, 1036(a), 1054, and 1055 of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5536(a), 5564, 5565, in connection with the marketing and sale of debt-relief services.

4. The State of New York, by its Attorney General (NYAG), is authorized to take action to enjoin repeated and persistent fraudulent and illegal conduct under New

York Executive Law § 63(12) and deceptive business acts and practices under New York General Business Law ("GBL") Article 22-A.

5. Pursuant to the Telemarketing Act, 15 U.S.C. §§ 6103(a) and (f)(2), the NYAG is authorized to initiate federal district court proceedings to enjoin telemarketing activities that violate the TSR, to enforce compliance with the TSR, and in each such case, to obtain damages, restitution, and other compensation on behalf of New York residents, or to obtain such further and other relief as the court may deem appropriate. The NYAG is also authorized to enforce the CFPA. 12 U.S.C. § 5552(a).

6. Pursuant to the Telemarketing Act, 15 U.S.C. § 6103(a) and (f)(2), the State of Colorado, by its Attorney General, is authorized to initiate federal district court proceedings to enjoin telemarketing activities that violate the TSR, to enforce compliance with the TSR, and in each such case, to obtain damages, restitution, and other compensation on behalf of Colorado residents, or to obtain such further and other relief as the court may deem appropriate. The State of Colorado is also authorized to enforce the CFPA. 12 U.S.C. § 5552(a).

7. Pursuant to the Telemarketing Act, 15 U.S.C. § 6103(a) and (f)(2), Kathleen Jennings, Attorney General of Delaware, is authorized to initiate federal district court proceedings to enjoin telemarketing activities that violate the TSR, to enforce compliance with the TSR, and in each such case, to obtain damages, restitution, and other compensation on behalf of Delaware residents, or to obtain such further and other relief as the court may deem appropriate. The State of Delaware is also authorized to enforce the CFPA. 12 U.S.C. § 5552(a).

8. Pursuant to the Telemarketing Act, 15 U.S.C. § 6103(a) and (f)(2), the State of Illinois, by its Attorney General Kwame Raoul, is authorized to initiate federal

district court proceedings to enjoin telemarketing activities that violate the TSR, to enforce compliance with the TSR, and in each such case, to obtain damages, restitution, and other compensation on behalf of Illinois residents, or to obtain such further and other relief as the court may deem appropriate. The State of Illinois is also authorized to enforce the CFPA. 12 U.S.C. § 5552(a).

9. Pursuant to the Telemarketing Act, 15 U.S.C. § 6103(a) and (f)(2), the State of Minnesota, by its Attorney General, is authorized to initiate federal district court proceedings to enjoin telemarketing activities that violate the TSR, to enforce compliance with the TSR, and in each such case, to obtain damages, restitution, and other compensation on behalf of Minnesota residents, or to obtain such further and other relief as the court may deem appropriate. The State of Minnesota is also authorized to enforce the CFPA. 12 U.S.C. § 5552(a).

10. Pursuant to the Telemarketing Act, 15 U.S.C. § 6103(a) and (f)(2), the State of North Carolina, by its Attorney General, is authorized to initiate federal district court proceedings to enjoin telemarketing activities that violate the TSR, to enforce compliance with the TSR, and in each such case, to obtain damages, restitution, and other compensation on behalf of North Carolina residents, or to obtain such further and other relief as the court may deem appropriate. The State of North Carolina is also authorized to enforce the CFPA. 12 U.S.C. § 5552(a).

11. The State of Wisconsin, by its Attorney General and Department of Justice (WIAG), is authorized under Wis. Stat. §§ 165.25(1m), 220.04(10), and 220.12 to take action to enforce compliance with the State's adjustment service company law, Wis. Stat. § 218.02, and the administrative rule promulgated thereunder, Wis. Admin. Code § DFI-Bkg. Ch. 73, and to seek a permanent or temporary injunction or restraining

order, appointment of a receiver, and order for recission of any acts determined to be unlawful.

12. Pursuant to the Telemarketing Act, 15 U.S.C. § 6103(a) and (f)(2), the WIAG is authorized to initiate federal district court proceedings to enjoin telemarketing activities that violate the TSR, to enforce compliance with the TSR, and in each such case, to obtain damages, restitution, and other compensation on behalf of Wisconsin residents, or to obtain such further and other relief as the court may deem appropriate. The WIAG is also authorized to enforce the CFPA. 12 U.S.C. § 5552(a).

Overview

13. Since at least January 2016, Defendants have operated a debt-relief scheme that collects exorbitant, illegal advance fees from vulnerable consumers suffering financial difficulties. SFS employs third parties to solicit consumers who have large debts, frequently suggesting that these consumers may qualify for a loan to assist with debt relief. When the consumers call the company listed on the mailer or webpage, the phone rings at SFS, and SFS employees answer the calls. These employees generally advise the consumers that they do not qualify for the loan. Instead, they encourage the consumers to enroll in SFS's debt-relief service by promising that Defendants' network of lawyers will negotiate reduced payoff amounts with consumers' creditors and defend consumers in the event of a creditor lawsuit.

14. Immediately after consumers enroll in the program, Defendants begin collecting substantial fees from them, despite admitting to consumers that any settlements with creditors will take months to secure. Defendants' front-loaded fees leave the consumers with little money for any such potential settlements. As a result, consumers regularly pay into the debt-relief service for months before Defendants reach

a settlement with even one creditor, and Defendants collect a significant amount of fees in the interim. Some consumers exit the program having paid substantial fees, but with none of their debts settled or reduced. Many consumers end up with more debt than they started with, see their credit scores decrease substantially, and end up getting sued by creditors. Already-vulnerable consumers often end up in a worse financial situation than before, while Defendants profit. Since at least January 2016, Defendants have collected over $84,000,000 in unlawful fees from consumers through these schemes.

15. The Individual Defendants, Ryan Sasson and Jason Blust, conduct this operation using a web of interrelated companies they have created. Individual Defendant Sasson created SFS and its Client Services Subsidiaries, which operate as a common enterprise. Individual Defendants Sasson and Blust also created façade law firms (the "Façade Firms") that correspond to each Client Services Subsidiary. These law firms serve as a façade for SFS's debt-relief operation and perform little to no work on behalf of consumers. The Individual Defendants also created shell companies and consulting firms that funnel money to the Individual Defendants.

Jurisdiction

16. This Court has subject-matter jurisdiction over this action because it is brought under "Federal consumer financial law," 12 U.S.C. § 5565(a)(1), presents a federal question, 28 U.S.C. § 1331, and is brought by an agency of the United States, 28 U.S.C. § 1345.

17. This Court has supplemental jurisdiction over the States' state law claims because they are so related to the federal claims that they form part of the same case or controversy. 28 U.S.C. § 1367(a).

Venue

18. Venue is proper in this district because SFS is located, resides, and does business here and because a substantial part of the events or omissions giving rise to the claims occurred in this district. 12 U.S.C. § 5564(f); 28 U.S.C. § 1391(b)(2).

The Parties

19. The Bureau is an independent agency of the United States charged with regulating the offering and provision of consumer financial products or services under Federal consumer financial laws. 12 U.S.C. § 5491(a). The Bureau has independent litigating authority, 12 U.S.C. § 5564(a)-(b), including the authority to enforce the TSR as it applies to persons subject to the CFPA, 15 U.S.C. §§ 6102(c)(2), 6105(d).

20. Letitia James, Attorney General of New York, is authorized to bring this action on behalf of the State of New York and its citizens to enforce New York Law, the TSR, and the CFPA.

21. Philip J. Weiser, Attorney General for Colorado, is authorized to bring this action on behalf of the State of Colorado and its citizens to enforce the TSR and CFPA.

22. Kathleen Jennings, Attorney General of Delaware, is authorized to bring this action on behalf of the State of Delaware and its citizens to enforce the TSR and CFPA.

23. Kwame Raoul, Illinois Attorney General is authorized to bring this action on behalf of the People of the State of Illinois to enforce the TSR and CFPA.

24. Keith Ellison, Attorney General of Minnesota, is authorized to bring this action on behalf of the State of Minnesota and its citizens to enforce the TSR and CFPA.

25. Joshua H. Stein, Attorney General of the State of North Carolina, is authorized to bring this action on behalf of the State of North Carolina and its citizens to enforce the TSR, and the CFPA.

26. Joshua L. Kaul, Attorney General of Wisconsin, is authorized to bring this action on behalf of the State of Wisconsin to enforce Wisconsin law, the TSR, and the CFPA.

SFS

27. Strategic Family, Inc. is the parent company of other SFS defendants, including StratFS, LLC (f/k/a Strategic Financial Solutions, LLC), Strategic Client Support, LLC (f/k/a Pioneer Client Services, LLC), Strategic CS, LLC, Strategic FS Buffalo, LLC, Strategic NYC, LLC, BCF Capital, LLC, T Fin, LLC, Versara Lending, LLC, and Strategic Consulting, LLC (collectively, SFS, as defined above).

28. SFS maintains its principal place of business at 115 Lawrence Bell Drive, Buffalo, NY 14221. SFS's website (stratfs.com) says that its main office is located at this address. SFS offers and provides "financial advisory services," including debt-relief services, to consumers owing unsecured debts to creditors. These services are offered to consumers primarily for personal, family, or household purposes.

29. In connection with a campaign to induce consumers to purchase its services, SFS initiates and receives interstate telephone calls to and from consumers. During these calls, SFS offers to renegotiate, settle, or alter the terms of payment or other terms of the debt between a person and one or more unsecured creditors or debt collectors. Thus, SFS is a "telemarketer" offering "debt-relief services" under the TSR. 16 C.F.R. § 310.2(o), (ff).

30. SFS provides, offers to provide, or arranges for others to provide debt-relief services to consumers in exchange for consideration. Thus, SFS is also a "seller" offering "debt-relief services" under the TSR. 16 C.F.R. § 310.2(o), (dd).

Non-Party Façade Firms

31. On paper, SFS partners with purported law firms around the country, and the firms offer and promise to provide services, including debt-relief services, to consumers owing unsecured debts to creditors. Each firm is paired with an SFS-owned Client Services Subsidiary that usually has a name similar to the firm, and non-attorney negotiators from SFS and its Client Services Subsidiaries are the ones tasked with renegotiating a consumer's debt – if such negotiations happen at all. Because most or all of the services are carried out by non-attorneys who are not employees of the firm, the firms are referred to herein as "Façade Firms" and are not named as defendants herein.

32. Many of the Façade Firms appear not to have physical offices, and instead utilize virtual offices and mailboxes, like UPS Store-rented mailboxes. For at least some of the Façade Firms, incoming mail is scanned by a third party and then uploaded not to the law firm but rather to SFS.

33. The Façade Firms work on behalf of SFS to offer debt-relief services to consumers owing unsecured debts to creditors. The Façade Firms are therefore "covered persons" under the CFPA. 12 U.S.C. § 5481(6), (19).

34. In connection with SFS's telemarketing transactions, the Façade Firms offer to provide or arrange for others to provide debt-relief services to consumers in exchange for consideration. Thus, the Façade Firms are "sellers" offering "debt-relief services" under the TSR. 16 C.F.R. § 310.2(o), (dd).

35. The Façade Firms include but are not limited to:

- A. Florio & Associates, PLLC d/b/a Bedrock Legal Group f/k/a Raggio & Associates, PLLC;
- Anchor Law Firm, PLLC;
- Boulder Legal Group, LLC;

- The Brian A Moore Law Firm LLC d/b/a Guidestone Law Group;
- Burnette Legal Group, LLC d/b/a Monarch Legal Group;
- Daniel Rufty Legal PLLC d/b/a Carolina Legal Services;
- Donald Norris Associates PLLC d/b/a Stonepoint Legal Group;
- Gardner Legal LLC d/b/a Option 1 Legal;
- Great Lakes Law Firm, LLC;
- Greene Legal Services, LLC d/b/a Newport Legal Group;
- Harbor Legal Group, LLC;
- Henry Legal Group, PLLC d/b/a Heartland Legal Group;
- Hodyno & Associates, PLLC d/b/a Rockwell Legal Group;
- JMS Industries, LLC d/b/a Canyon Legal Group;
- Pioneer Law Firm, P.C., f/k/a John B. Dougherty P.C.;
- Northstar Legal Group, LLC;
- Royal Legal Group, LLC;
- The Sands Law Group, LLP d/b/a Whitestone Legal Group; and
- WyoLaw, LLC d/b/a Summit Law Firm.

Client Services Subsidiaries

36. The SFS-owned Client Services Subsidiaries perform services to facilitate the scheme. Each SFS-owned Client Services Subsidiary corresponds to one or more Façade Firms, and most of the Client Services Subsidiaries share a name with a Façade Firm. For example, Anchor Client Services, LLC corresponds to Anchor Law Firm, PLLC. SFS uses the Client Services Subsidiaries to siphon money from consumers'

accounts and profits from the Façade Firms and to mask SFS's involvement in the debt-relief operation.

37. The Client Services Subsidiaries work on behalf of SFS and the Façade Firms to offer debt-relief services to consumers who owe unsecured debts to creditors. These services are offered to consumers primarily for personal, family, or household purposes.

38. In connection with SFS's telemarketing transactions, the Client Services Subsidiaries offer to provide or arrange for others to provide debt-relief services to consumers in exchange for consideration. Thus, the Client Services Subsidiaries are "sellers" offering "debt-relief services" under the TSR. 16 C.F.R. § 310.2(o), (dd).

39. Because the Client Services Subsidiaries are in a common enterprise with SFS, they are liable for SFS's actions under the TSR. *See infra* ¶¶ 41-50.

40. The Client Services Subsidiaries involved in the common enterprise include:

- Anchor Client Services, LLC (now known as CS 1 PAAS Services, LLC);
- Bedrock Client Services, LLC;
- Boulder Client Services, LLC;
- Canyon Client Services, LLC;
- Carolina Client Services, LLC;
- Great Lakes Client Services, LLC;
- Guidestone Client Services, LLC;
- Harbor Client Services, LLC;
- Heartland Client Services, LLC;
- Monarch Client Services, LLC (now known as CS 2 PAAS Services, LLC);

- Newport Client Services, LLC;
- Northstar Client Services, LLC;
- Option 1 Client Services, LLC;
- Pioneer Client Services, LLC;
- Rockwell Client Services, LLC;
- Royal Client Services, LLC;
- Stonepoint Client Services, LLC;
- Summit Client Services, LLC (now known as CS 3 PAAS Services, LLC); and
- Whitestone Client Services, LLC.

Common Enterprise

41. SFS and its Client Services Subsidiaries operate as a common enterprise controlled by Individual Defendant Sasson. Sasson has common control of all these entities. SFS and its Client Services Subsidiaries share addresses at 711 3rd Ave, 6th Floor, New York, NY 10017. The Client Services Subsidiaries do not have distinct spaces within that address.

42. The same people control the bank accounts for SFS and its Client Services Subsidiaries. For example, account-opening documents from Valley Bank show that Individual Defendant Sasson, SFS's CEO, opened accounts for Strategic Client Support, LLC, Atlas Client Services, LLC (related to a company that may be another façade firm), Strategic Financial Solutions, LLC, Strategic LD, LLC (another company likely owned by SFS), Versara Lending, Strategic CS, LLC, and Anchor Client Services, LLC. Sasson opened an account for Strategic Client Support, LLC.

43. Similarly, Ryan Sasson was the signer for the bank accounts of nineteen Defendants at Key Bank. Sasson was the signer for Strategic Financial Solutions, LLC, Anchor Client Services, LLC, BCF Capital, LLC, Bedrock Client Services, LLC, Boulder Client Services, LLC, Canyon Client Services, LLC, Carolina Client Services, LLC, Great Lakes Client Services, LLC, Harbor Client Services, LLC, Pioneer Client Servicing, LLC, Rockwell Client Services, LLC, Royal Client Services, LLC, Stonepoint Client Services, LLC, Strategic Client Support, LLC, Strategic Consulting, LLC, Strategic CS, LLC, Strategic FS Buffalo, LLC , Strategic NYC, LLC, and Summit Client Services, LLC.

44. SFS and its Client Services Subsidiaries commingle funds. For example, records for bank accounts held by three Client Services Subsidiaries show that they each transferred millions of dollars to various companies in the common enterprise, including Strategic Client Support, LLC, Strategic NYC, LLC, Strategic CS, LLC, and Strategic Consulting, LLC. The following chart shows the transfers into and out of an account held by Strategic NYC, LLC between October 2017 and December 2020. This SFS entity received money from multiple Client Services Subsidiaries and distributed that money throughout the common enterprise.

Account 7645 - STRATEGIC NYC, LLC			
Account / Activity	**Account Name**	**Incoming**	**Outbound**
3931	**BEDROCK CLIENT SERVICES, LLC**	20,961,075.22	-
7076	**BOULDER CLIENT SERVICES LLC**	17,787,737.97	-
WIRE IN		17,584,963.27	-
9379	**ANCHOR CLIENT SERVICES LLC**	13,353,426.79	-
2687	**ROCKWELL CLIENT SERVICES, LLC**	10,532,106.15	-
3847	**TIMBERLINE FINANCIAL, LLC**	8,711,564.85	-
5085	**HARBOR CLIENT SERVICES, LLC**	4,499,204.86	-
9557	**PIONEER CLIENT SERVICING, LLC**	3,114,446.29	-
5128	**STONEPOINT CLIENT SERVICES, LLC**	1,128,877.69	-
7649	**CANYON CLIENT SERVICES, LLC**	843,238.61	-
8385	**ROYAL CLIENT SERVICES, LLC**	786,341.94	-
1538	**CELL GRAMERCY OF CONTEGO INSURANCE LLC**	400,000.00	-
7514	**BCF CAPITAL, LLC**	39,402.70	-
3206	**ATLAS DEBT RELIEF, LLC**	4,378.34	-
3458	**ATLAS CLIENT SERVICES LLC**	4,300.00	-
1294	**VERSARA LENDING LLC**	-	34,251,717.68
7922	**STRATEGIC CS, LLC**	-	17,736,230.06
9204	**STRATEGIC CONSULTING, LLC**	-	16,962,610.30
1894	**STRATEGIC FINANCIAL SOLUTIONS, LLC**	-	13,010,883.31
1286	**STRATEGIC CLIENT SUPPORT LLC**	-	12,978,297.03
5354	**PEERFORM INC.**	-	2,398,698.15
9490	**STRATEGIC FS BUFFALO, LLC**	-	952,219.15
3204	**STRATEGIC LD, LLC**	-	723,384.53
WIRE OUT		-	701,262.47
5847	**F SOLUTIONS LLC**	-	24,257.72
5269	**STRATEGIC FAMILY, INC.**	-	10,250.00
Grand Total		**99,751,064.69**	**99,749,810.40**

45. In addition, records from another bank show that Anchor Client Services, LLC, Bedrock Client Services, LLC, Boulder Client Services, LLC, Canyon Client Services, LLC, Carolina Client Services, LLC, Harbor Client Services, LLC, Heartland Client Services, LLC, Monarch Client Services, LLC, Northstar Client Services, LLC, Option 1 Client Services, LLC, Pioneer Client Servicing, LLC, Rockwell Client Services, LLC, Royal Client Services, LLC, Stonepoint Client Services, LLC, and Whitestone Client

Services, LLC, at least, sent millions of dollars to T Fin, LLC and Strategic NYC, LLC between approximately 2018 and 2021.

46. SFS and its Client Services Subsidiaries share a phone system. The phone system has a common set of extensions across SFS and its Client Services Subsidiaries such that employees of the common enterprise can call each other without dialing outside of the system.

47. In December 2018, SFS contracted with a data analytics firm to analyze the common enterprise's phone calls for sales and retention purposes. As part of this process, SFS sent recorded phone calls to the data analytics firm. The calls included those from phone lines named Anchor Creditor Line, Bedrock Creditor Line, Boulder Creditor Line, Canyon Creditor Line, Carolina Creditor Line, Great Lakes Creditor Line, Harbor Creditor Line, Pioneer Creditor Line, Rockwell Creditor Line, Royal Creditor Line, Stonepoint Creditor Line, and Summit Creditor Line. SFS also shared call recordings from a phone line named "Generic CS Creditor Line," which exemplifies the internal interchangeability of the Client Services Subsidiaries.

48. SFS and its Client Services Subsidiaries also share employees. Although individual employees' salaries may be paid by SFS or a Client Services Subsidiary, such employees perform work for all of the Client Services Subsidiaries. In some instances, the same employees answer phone lines associated with multiple Client Services Subsidiaries. For example, one employee whose salary was paid by SFS answered consumer calls to multiple phone lines associated with Client Services Subsidiaries, including the Boulder Creditor Line, the Harbor Creditor Line, the Rockwell Creditor Line, the Royal Creditor Line, and the Summit Creditor Line.

49. Similarly, when consumers enrolled in the debt-relief service try to call the law firm they believe is representing them, the call is routed to SFS where SFS employees answer the phone using the name of the Client Services Subsidiary or Façade Firm associated with each consumer. The entity name under which an SFS employee answers a consumer phone call can change with each call. Thus, a single SFS employee will answer dozens of consumer calls in any given day, representing themselves as an employee of numerous different Client Services Subsidiaries or Façade Firms. One employee who answers calls from consumers holds himself out to be a representative of at least six different Façade Firms, although his salary is paid by Strategic Client Support, LLC.

50. SFS and its Client Services Subsidiaries also share leadership. Consumers who attempt to call the Façade Firm they believe represents them reach customer service representatives who are often paid by SFS. Ryan Sasson has represented that these customer service representatives work for SFS's Client Services Subsidiaries. The customer service representatives report to the Senior Director of Client Services and Senior Director of Customer Services. Both of these Senior Directors report to the Vice President of Client Service Operations who directly reports to SFS CEO Ryan Sasson.

Individual Defendants

51. Ryan Sasson is one of the founders and the current Chief Executive Officer of SFS. He is listed as an officer of SFS on corporate tax filings.

52. Sasson is a former employee of Legal Helpers Debt Resolution, LLC ("Legal Helpers"), a debt-relief firm that was sued and eventually shut down as a result of actions by the Attorneys General of Illinois, Wisconsin, North Carolina, and West Virginia. The Attorneys General alleged that Legal Helpers charged unlawful up-front

fees, failed to reduce consumers' debts as promised, and attempted to avoid advance-fee bans by recruiting attorneys to act as fronts for the business. Compl., *Illinois v. Legal Helpers Debt Resol., LLC*, No. 2011 CH 00286 (Sangamon Cty., Ill. Mar. 2, 2011); Compl., *Wisconsin v. Legal Helpers Debt Resol., LLC*, No. 2013 CX 11 (Dane Cty., Wis. June 12, 2013); Compl., *North Carolina v. Legal Helpers Debt Resol., LLC*, No. 14CV006409 (Wake Cty., N.C. May 15, 2014); Compl., *West Virginia v. Legal Helpers Debt Resol., LLC*, No. 13-C-2330 (Kanawha Cty., W. Va. Dec. 20, 2013). The Illinois and North Carolina Attorneys General actions resulted in consent judgments enjoining Legal Helpers from engaging in debt relief in their respective states. Judgment, *Illinois v. Legal Helpers Debt Resol., LLC*, No. 2011 CH 00286 (Sangamon Cty., Ill. July 2, 2012); Judgment, *North Carolina v. Legal Helpers Debt Resol., LLC*, No. 14CV006409 (Wake Cty., N.C. Sept. 29, 2014). The North Carolina consent judgment also enjoined the principals of the firm from engaging in debt relief and entered judgments in the amounts of $1,533,000 and $122,000 against Legal Helpers and the individual defendants, respectively. *Id*. The Wisconsin Attorney General's action and the West Virginia Attorney General's action resulted in judgments for $12,272,000 and $135,000, respectively, and settlement agreements enjoining Legal Helpers and the principals of the firm from engaging in debt relief in Wisconsin and West Virginia. Judgment, *Wisconsin v. Legal Helpers Debt Resol., LLC*, No. 2013 CX 11 (Dane Cty., Wis. Feb. 15, 2016); Settlement Agreement, *Wisconsin v. Legal Helpers Debt Resol., LLC*, No. 2013 CX 11 (Dane Cty., Wis. May 13, 2016); Judgment, *West Virginia v. Legal Helpers Debt Resol., LLC,* No. 13-C-2330 (Kanawha Cty., W.Va. June 2, 2014). Sasson knows or should know, based on these matters, that it is illegal to charge up-front fees for debt-

relief services and that using third parties to act as fronts for the entities benefitting from the illegal fees does not relieve him from liability.

53. At all times material to this Complaint, acting alone or in concert with others, Sasson has exercised substantial control over and involvement in the establishment of SFS's business policies and practices described in this Complaint. At all times material to this Complaint, Sasson has exercised managerial responsibility for SFS and has materially participated in the conduct of its affairs.

54. Jason Blust created, maintains, and controls multiple Façade Firms designed to conceal SFS's involvement in the debt-relief service. He controls the Façade Firms and directs consumer funds to himself through a series of consulting companies, including Relief Defendants Relialit and Lit Def Strategies. Jason Blust resides in Lake Barrington, Illinois. He entered into a stipulated judgment with the United States Bankruptcy Trustee for the District of Kansas regarding numerous violations of bankruptcy law arising from the scheme alleged in this complaint. Judgment, *U.S. Trustee Lashinsky v. Blust,* No. 18-06046, Doc #17 (Bankr. D. Kan. 2018). Jason Blust knows or should know that the conduct alleged herein is illegal. He is also a former attorney at Legal Helpers. Jason Blust knows or should know, based on the Legal Helpers matters discussed in Paragraph 52, that it is illegal to charge up-front fees for debt-relief services and that using third parties to act as fronts for the entities benefitting from the illegal fees does not relieve him from liability.

55. At all times material to this Complaint, acting alone or in concert with others, Jason Blust has exercised substantial control over and involvement in the establishment of the Façade Firms' business policies and practices described in this Complaint. Jason Blust recruited attorneys to help run, or serve as figureheads for, the

Façade Firms, including at least one SFS employee who simultaneously serves as a member of multiple Façade Firms while working for SFS. At all times material to this Complaint, Jason Blust has exercised managerial responsibility for the Façade Firms and has materially participated in the conduct of their affairs, in part through his consulting firms Relialit and Lit Def Strategies. He also acts as a liaison between the Façade Firms and SFS.

Relief Defendants

56. Relief Defendant Strategic Employee Stock Ownership Trust (Strategic ESOT) holds all the shares of SFS stock. In May 2017, Strategic Financial Solutions, LLC adopted the Strategic Employee Stock Ownership Plan (Strategic ESOP) and became the ESOP's sponsor. SFS companies reorganized in December 2017 and Strategic Family, Inc. became the parent company In December 2017, the Strategic ESOP purchased all the shares of Strategic Family, Inc.'s common stock funded by the Strategic ESOT, thus becoming wholly employee owned. The Strategic ESOT may maintain funds held in trust, while the ESOP determines how the ESOT is administered, who participates in it, and who runs the day-to-day operations.

57. Relief Defendant Daniel Blumkin is one of the founders and the current Chief Sales Officer of SFS. Blumkin and Sasson were the two initial members of Encore Capital USA, LLC in 2010; in 2015, Sasson changed the name to Strategic Financial Solutions, LLC. Blumkin is listed as an officer of SFS on corporate tax filings. Blumkin

resides in Port Washington, New York. He is a former Vice President of Sales with Legal Helpers.

58. Relief Defendant Albert Ian Behar is one of the founders of SFS. Behar resides in Miami Beach, Florida and New York, New York.

59. Relief Defendant Twist Financial, LLC is a corporation controlled by Daniel Blumkin. Blumkin and Twist share an address at 1 Greenwood Ln, Port Washington, NY 11050. Twist and SFS share an address at 711 3rd Avenue, 6th Fl., New York, NY 10017. Defendants use Twist to funnel consumer funds from the Façade Firms, the Client Services Subsidiaries, and SFS to Daniel Blumkin. Twist Financial was also a partial owner of Legal Helpers.

60. Relief Defendant Duke Enterprises, LLC is a corporation controlled by Ryan Sasson. Defendants use this corporation to funnel consumer funds from the Façade Firms, the Client Services Subsidiaries, and SFS to Ryan Sasson.

61. Relief Defendant Blaise Investments, LLC is a corporation controlled by Albert Ian Behar. Defendants use this corporation to funnel consumer funds from the Façade Firms, the Client Services Subsidiaries, and SFS to Albert Ian Behar.

62. Relief Defendant the Blust Family Irrevocable Trust is controlled by Donald J. Holmgren, Trustee. Jason Blust funnels consumer funds from the Façade Firms, the Client Services Subsidiaries, and SFS into the Blust Family Irrevocable Trust via Lit Def Strategies, LLC.

63. Jason Blust funnels consumer funds from the Façade Firms, the Client Services Subsidiaries, and SFS to Relief Defendant Jaclyn Blust via Lit Def Strategies, LLC and the Blust Family Irrevocable Trust.

64. Relief Defendants Lit Def Strategies, LLC and Relialit, LLC are corporations controlled by Jason Blust. He uses these corporations to funnel consumer funds from the Façade Firms, the Client Services Subsidiaries, and SFS to himself.

Overview of Defendants' Debt-Relief Services Scheme

65. Since at least January 2016, SFS has marketed and sold debt-relief services to consumers.

66. Through at least late 2022, SFS marketed its debt-relief services via the U.S. Mail, the Internet, and outbound or inbound telephone calls to or from consumers, including via interstate phone calls. One way that SFS attracted financially-distressed consumers is through mail solicitations suggesting that the consumers have been pre-approved for a debt-consolidation loan or may be eligible for such a loan. These solicitations encouraged the consumer to "apply" and provided a phone number to call for more information.

67. When a consumer called the number provided on the solicitation, an SFS employee who was not an attorney answered the phone and gathered additional information from the consumer. In the end, the consumer who was trying to apply for a loan was typically told that they did not qualify for the debt-consolidation loan, and an SFS representative tried to convince the consumer to enroll in the debt-relief service instead.

68. If the consumer agreed to enroll in the debt-relief service, then SFS connected the consumer with a Façade Firm.

69. Generally, once a consumer agreed to sign up for the debt-relief service, SFS or a Façade Firm arranged for the consumer to meet with a third-party notary, who was not an employee of SFS, a Client Services Subsidiary, or a Façade Firm. The notary

has typically been paid a nominal fee simply to get the documents signed, has limited knowledge about the contents of the documents being signed, and cannot answer any questions about their content. Some notaries are paid more for the meeting if the documents are fully signed.

70. Once a consumer signed the enrollment documents, an attorney from the assigned Façade Firm contacted the consumer and read a short script welcoming the consumer to the program. This rote "attorney welcome call" was often the only time the consumer spoke to an attorney in connection with the SFS debt relief program.

71. Upon enrollment, SFS representatives instructed consumers to stop paying debts they enrolled in the program. The SFS representatives also told some consumers that creditors were more likely to settle debts when their accounts were delinquent.

72. SFS representatives also instructed consumers not to speak with their creditors if the creditors contacted the consumers, and SFS sometimes gave consumers a script to follow during calls with creditors.

73. Upon enrolling in the program, consumers were required to immediately begin making monthly payments into an escrow account managed by either RAM or Global, two payment processors with which SFS or the Façade Firms have contracted.

74. Representatives of SFS or the Client Services Subsidiaries told consumers that once they have saved enough money in those escrow accounts, the money would be used to settle the consumers' debts for less than they owe.

75. Some consumers reported that when they started to complain about the fact that their debts were not being settled or their creditors were not being paid, SFS or

the Client Services Subsidiaries instructed them that they could pay even more into their escrow accounts so that the debts could be resolved.

76. When consumers tried to call their designated Façade Firm after they enrolled in the program, their calls were typically routed to SFS representatives who were not attorneys but who held themselves out as representatives of the Façade Firm the consumer believed was representing them. In reality, these representatives were employed by SFS-controlled entities, including the Client Services Subsidiaries. These representatives are primarily located in a call center in Buffalo, NY or New York, NY.

77. During the enrollment process, SFS representatives often told consumers that enrollment in the program included litigation defense services and that a lawyer would represent them in any lawsuit related to non-payment of enrolled debts. Similarly, the retainer agreements consumers signed with Façade Firms promised that the firm lawyers would provide litigation defense if the consumer was sued by creditors while participating in the debt-relief service. But each contract also contained a loophole provision allowing the Façade Firm to avoid participating in the litigation if the assigned lawyer determined that the consumer is not likely to gain a favorable result. Indeed, consumers reported that Façade Firm lawyers almost never represented them when they were sued by creditors even after the consumers paid the retainer fee.

Notary Meetings as Part of the Enrollment Process

78. As noted in Paragraph 69 above, as part of the enrollment process the Façade Firms contracted with third party notary-provision companies, including Sunshine Signing Connection, Inc., NotaryGO, and National Paralegal & Notary (collectively Notary Companies), to send independent contractor notaries to obtain signatures on the enrollment paperwork and the retainer agreement.

79. The contracts required the notaries to schedule appointments with the consumers and to oversee the execution of documents, including "getting all appropriate signatures from the client."

80. The notaries scheduled these meetings at locations convenient for the consumer, including coffee shops and restaurants. The meetings did not all occur in person, however. In particular, during the COVID-19 pandemic, many of these notary meetings took place through Zoom or over the phone without any in-person meeting at all.

81. The notary meetings were typically brief and non-substantive. For instance, one consumer described the notary process as a "flyby presentation" and said that the notary, who made clear he could not explain things because he was just a notary and not an employee, seemed "like a robot going through a script."

82. SFS executives have acknowledged that the notary meetings are cursory and non-substantive. According to a Senior Vice President of Sales at SFS:

> [A]ll we do is just get these people to just kind of pencil whip and sign [the contract] . . . . It doesn't seem like it's as meaty as we make it sound. . . I didn't realize we don't give 'em a copy of the contract when they sign.

In the same conversation, a Senior Director of Negotiations replied:

> I agree with you, it's almost like you're pencil-whipped into signing that day because since you already came all the way here, you know just let's get through this – and I think they just made it more fluffy you know as far as the um presentation, if you will, and they sign the presentation – so I mean it's almost like a CYA on our end.

83. The contracts between the Façade Firms and the Notary Companies did not require the individual notaries to have any substantive knowledge of the product or the company or to be able to meaningfully interact with consumers on behalf of the company about the product. While the contracts required the notaries to give an "in-

person presentation," they did not require the notary to have any understanding of the presentation or to even read it beforehand.

84. The contracts between Façade Firms and the Notary Companies also did not require the individual notaries to answer consumers' questions about the product or the company. In practice, if a consumer had a question or concerns while signing the contract, the Notary Companies or the individual notaries called SFS by phone so that the consumer could direct their question or concerns to someone from SFS.

85. Consumers also reported that when they asked the notaries substantive questions, the notaries often advised the consumer to direct their questions to the sales representative (an employee of SFS or the Client Services Subsidiary) with whom the consumer previously spoke or referred the consumer to the documents they were signing.

86. The meetings between these third-party contractors and consumers were brief and perfunctory and did not provide the consumers with direct or substantive interaction with the seller of the product the consumer was purchasing; the only direct or substantive interaction consumers could have with anyone from SFS before they signed the contract was by phone.

Fees Defendants Charge Consumers

87. The documents that consumers signed often included information about the fees the consumers would be charged and advised that such fees would begin at the outset of the arrangement. For instance, one example provided by a consumer included fees such as a "retainer fee," "a service cost," "a legal admin fee," and "a banking fee."

88. Consistent with Defendants' direction, RAM and Global: (i) withdrew funds from a consumer's bank account through ACH transfer and deposited them into the consumer's escrow account; and (ii) transmitted funds for processing and servicing fees from the consumer's escrow account to themselves, the Client Services Subsidiaries, the Façade Firms, and sometimes SFS.

89. Immediately after a consumer enrolled in the programs, fees were deducted from their escrow accounts with RAM or Global before SFS, Client Services Subsidiaries, or Façade Firms settle any debts. These fees included retainer fees, service fees, and legal administrative fees.

90. The fees Defendants charged consumers as part of this debt-relief service were substantial. A sample of payment data from RAM for approximately 34,000 consumers enrolled in SFS's program over an approximately five-year period shows that these consumers collectively paid over $100,000,000 in fees to Defendants and the Façade Firms (including retainer fees, legal admin fees, and service fees) before any debt-relief payments were made to creditors. This figure does not include fees collected from Global. As explained below, a large portion of the fees collected through RAM and Global was ultimately funneled to SFS or the Individual Defendants.

91. During the period of time covered by the sample, no one working on behalf of SFS (including representatives for the Client Services Subsidiaries and Façade Firms) settled any debt for approximately one-third of consumers who paid into the program.

92. Furthermore, the service fee that Defendants charge for the program was often based solely on a percentage of the consumer's enrolled debt; the fee was not based on the individual debt settlements that the program achieves. In particular, when the consumer had multiple debts that were eventually settled one at a time, the service

fee was not proportional to the amount of debt actually settled or based on a fixed percentage of the amount saved. Likewise, the retainer fee, administrative fees, and other fees were not based on individual debt amounts or the debt settlements that the program achieved.

93. Charging consumers these high fees and withdrawing them from their accounts on the front-end, before settling any of their debts, hindered Defendants' ability to settle consumers' debts at all. For instance, some consumer contracts advised that individuals often needed to accumulate approximately 25% of the "then-current balance of a debt" in their account (e.g., $2,500 for a $10,000 debt) before a good-faith offer could be made to settle a debt with a creditor. But it was difficult for a consumer to accumulate a balance that high in their escrow account when SFS, the Client Services Subsidiaries, and the Façade Firms were withdrawing large fees from it each month, leaving only a small amount to fund potential settlements.

94. According to account statements for one consumer who enrolled in the debt-relief service, E.S., she paid approximately $2,114 into her account before the first payment was made to a creditor. Prior to this payment being made, approximately 91% of the funds the consumer paid into her account (roughly $1,900) were withdrawn as fees. During the entire period this consumer was enrolled in the debt-relief service, approximately 84% of the funds she paid into her account were deducted as fees and only 16% of the funds were paid to creditors.

95. Similarly, another consumer, P.G., paid approximately $7,452 into her account before the first payment was made to a creditor. Before that payment was made, roughly 68% of the funds the consumer paid into her account had been deducted to cover fees. During the entire period the consumer was enrolled in the debt-relief service,

roughly 64% of the funds she paid into her account were deducted as fees and only 6.5% of the funds were paid to creditors. The remainder was refunded after the attorney that she believed had been representing her, Daniel Rufty, was suspended by the North Carolina State Bar.

Allocation of Fees Among Defendants

96. Despite the labels associated with each fee charged to consumers enrolled in the debt-relief service, the money was not always distributed consistent with its described purpose. For example, records from RAM show that at times, the Client Services Subsidiaries—which purportedly did not provide legal services—received legal retainer fees, in addition to service fees and legal administrative fees.

97. Similarly, records from RAM show that the Façade Firms received not just legal retainer fees, but also sometimes received service fees and legal administrative fees.

98. The lack of concern about which entities received which fees demonstrates the interrelatedness of SFS, the Client Services Subsidiaries, and the Façade Firms.

99. An analysis of bank records further demonstrated that SFS and its Client Services Subsidiaries operated as a common enterprise.

100. Although the Façade Firms typically signed the contracts with RAM and Global, RAM and Global directly paid the Client Services Subsidiaries substantial amounts of money. For example, from September 2016 to July 2018, bank records showed that Global paid Boulder Client Services approximately $46,000,000 and paid Anchor Client Services approximately $21,000,000. Similarly, from February 2017 to July 2018, RAM paid Bedrock Client Services approximately $30,000,000.

101. Bank records show that shortly after receiving money from RAM and Global, the Client Services Subsidiaries transferred nearly all of the money to SFS. For example, between October 2016 and August 2018, Boulder Client Services transferred approximately $46,000,000—the same amount it received from Global—to various SFS accounts, including accounts held by Strategic Client Support, LLC, Strategic Financial Solutions, LLC, Strategic NYC, Inc., Strategic CS, LLC, and Strategic Consulting, LLC. Similarly, between November 2016 and August 2018, Anchor Client Services transferred approximately $20,000,000—around 95% of what it received from Global— to various SFS accounts, and between February 2017 and August 2018, Bedrock Client Services transferred approximately $29,000,000—around 96% of what it received from RAM— to various SFS accounts.

102. RAM records show that Defendant Versara Lending, LLC, ostensibly a lender, received fees from debt-relief consumers. Records from Valley Bank show that, from October 2016 through August 2022, Versara Lending, LLC received over $177 million in incoming wires and net transfers from various SFS entities. Records from Valley Bank also show that Versara Lending, LLC wired over $85 million to Versara DNLFA, LLC, which may be another name for Versara Lending, LLC.

SFS's Model Evolves Over Time

103. Consumer complaints, bank records, and website records suggest that SFS currently operates through additional companies, many of which purport to be law firms.

104. Based on Defendants' practice of regularly changing company names or establishing new entities, Plaintiffs believe that there are additional Client Services Subsidiaries and Façade Firms that Plaintiffs have yet to identify. For example, Sasson

was involved in the creation or maintenance of websites for Atlas Debt Relief LLC, Hallock & Associates, Law Office of Melissa Michel LLC d/b/a Spring Legal, and Moore Legal Group, LLC d/b/a Meadowbrook Legal Group, at least. And consumer complaints suggest that Atlas Debt Relief LLC, Brandon Ellis Law Firm, Dakis Legal Group LLC d/b/a/ Clear Creek Legal, Derek Williams Law Firm, LLC f/k/a Infinite Law Group, Hallock & Associates, Law Office of Melissa Michel LLC d/b/a Spring Legal, Moore Legal Group, LLC d/b/a Meadowbrook Legal Group, and Michel Law, LLC d/b/a Level One Law are affiliated with SFS.

105. Bank records show that Blust is a member of Credit Advocates Law Firm, and that company paid SFS and Lighthouse Tax & Financial LLC (owned by Blust).

106. Bank records also show that Law Offices of Amber Florio, LLC d/b/a The Commonwealth Law Group, PLLC received money from the following Façade Firms:

- Florio & Associates, PLLC, d/b/a Bedrock Legal Group, f/k/a Raggio & Associates, PLLC;
- Boulder Legal Group, LLC;
- Greene Legal Services, LLC d/b/a Newport Legal Group;
- Harbor Legal Group, LLC;
- Hodyno & Associates, PLLC d/b/a Rockwell Legal Group;
- JMS Industries, LLC d/b/a Canyon Legal Group;
- Royal Legal Group, LLC;
- The Sands Law Group d/b/a Whitestone Legal Group; and
- Wyolaw d/b/a Summit Law Firm.

107. In addition, the following companies are affiliated with Blust or made payments to Relialit or Lit Def:

- Chinn Legal Group d/b/a Slate Legal Group;
- Colonial Law Group;
- Crimson Legal Group, LLC d/b/a Fontana Law Group, LLC;
- Dubin Legal Group d/b/a Ascend Legal Group;
- Frontier Consumer Law Group a/k/a Leigh and Laruwe Law Firm;
- The Law Office 554;
- Law Office of Melissa Michel LLC d/b/a Spring Legal;
- Law Offices of Arne Skatrud & Associates d/b/a Cornerstone Legal Group LLC;
- Law Offices of Brandon S Chabner d/b/a Golden Law LLP;
- Lori Leigh & Associates d/b/a Phoenix Legal;
- Strong Law Group PLLC;
- Turnbull Law Group, LLC f/k/a Turnbull & Associates; and
- Watson Law d/b/a Corporate Legal Network.

Consumer harm

108. Regardless of how SFS changes its corporate form, consumers continue to be harmed. For example, consumer C.E. was still paying fees to the common enterprise in September 2023. After being enrolled in the common enterprise's debt relief program for nearly four years and paying around $26,000 in fees, he still owed approximately $18,000 to four creditors that he had enrolled in the debt-relief program.

109. Many consumers enrolled in SFS's debt-relief service received zero or little benefit in the form of settled debts and, instead, ended up owing creditors more money than when they started.

110. The data sample from RAM referenced above in Paragraph 90 indicates that, on average, consumers participated in the program for eight months before Defendants settled any of their debts. It also suggests that Defendants do not settle *any* debts for many consumers enrolled in their program.

111. In addition, when consumers stopped paying their debts (as directed by Defendants), creditors often added interest and fees to their accounts and were likely to, and did in fact, sue them for nonpayment. If the creditors obtained judgments, they could garnish consumers' wages. Consumers' credit scores often plummeted.

112. Many consumers were understandably concerned about the potential adverse impact of stopping payment on their credit cards. When consumers asked direct questions about these issues SFS's salespersons routinely told consumers that they were very unlikely to be sued and that their credit scores would only suffer a small reduction, that the reduction would be temporary, and that their score would increase substantially once their debts were settled through the program. These representations were misleading and deceptive.

113. Defendants also routinely describe their programs as having a "zero percent" interest rate, since the amount of their payments were fixed at the time of enrollment. These representations were misleading and deceptive because Defendants were not offering consumers enrolled in in their debt-relief program a loan and many creditors did in fact add interest and fees once consumers stopped paying. Many

consumers ended up exiting Defendants' debt relief program owing creditors more than when they began the program.

114. When attempting to enroll consumers in the SFS debt-relief program, salespersons often made misleading, deceptive, and fraudulent statements to encourage consumers to enroll. Defendants were aware of hardball sales tactics and encouraged such behavior. SFS paid bonuses to sales representatives that successfully sold their debt relief scheme, which resulted in substantial fees to Defendants, while promptly terminating those that failed to do so.

115. Consumers often learned from creditors that neither Defendants nor the Façade Firms ever contacted them. Unaware that this could occur, consumers often stopped communicating with their creditors based on Defendants' instruction. For example, one consumer, K.L., enrolled in the debt-relief service in October 2019. After a default judgment was entered against the consumer with regard to one debt in June 2021, the consumer reached out to two other creditors with whom Defendants were supposed to be negotiating. The consumer learned from these creditors that nothing had been paid on these debts since she enrolled in the debt-relief service twenty months prior and no one from any of the Defendants or the Façade Firms had contacted the creditors.

116. Consumers were led to believe that they had an attorney and law firm to represent them should their creditors sue, but many consumers received no such representation, despite having paid significant retainer and legal fees. These representations by Defendants were misleading and deceptive.

117. Even when consumers withdrew early from the program, the amount of money in their escrow account had been substantially drained by fees, regardless of whether any enrolled debts have been settled.

118. For example, one consumer, S.M., was in the program for approximately four years, during which his Global account statements show he made net payments into his escrow account of approximately $19,841 and only one debt was settled in the amount of approximately $8,524. Yet when the consumer withdrew from SFS's program, his escrow account contained only $666. The remaining $10,651 had been deducted from his account to cover fees.

119. A Senior Director of Client Services acknowledged this problem in a call with a Senior Director of Customer Service:

> I gave him [VP of Client Service Operations] the scenario I've given him 1200 times, which is[:] a client's been in the program four months, wants to cancel. Can't save, [consumer]I want my money back. [SFS rep] Here's your $20. [consumer] Where is the other $900 I gave you? [SFS rep]Oh, sorry, that was service fees.' [consumer] Well I want it back. What do they [SFS reps] do? What do they do? Do we give them the authority to refund the $900 or is it going to Tier 2? So he's like well no, I think it needs to go to Tier 2.

The Senior Director of Client Services went on to explain that Tier 2 was not adequately staffed to handle the volume of calls in which consumers request refunds: "[a]lmost every single call, people want refunds."

120. SFS designed its program to extract more fees from consumers early in the debt-relief program. SFS worked to keep consumers in the program while SFS was collecting fees, but, as fees declined later in the program, SFS often would not invest resources in attempting to settle the consumers' debts. A Vice President of Client Service

Operations described the situation: "I know this sounds terrible, but if [a consumer] just wants to pay us and then leave to save us money, then OK."

121. Consumer complaints suggest that SFS, working through the Façade Firms, continues to collect fees (a) before resolving any debt for consumers; (b) that do not bear the same proportional relationship to the total fee as the individual debt amount bears to the entire debt amount at the time of enrollment; and (c) that are not a percentage of the amount saved as a result of the renegotiation, settlement, reduction, or alteration. In 2023 alone, there are approximately 127 consumer complaints in the FTC's Sentinel database involving the Façade Firms. These consumers are being harmed by Defendants' ongoing unlawful conduct.

122. For example, one consumer, R.O., complained that he was charged nearly $10,000 in advance fees between July 2020 and June 2023, and none of his debts were settled. All of those fees were prohibited by the TSR.

123. Since January 2016, SFS and the Façade Firms have taken at least $100,000,000 in fees from consumers before any of the consumers' debts were renegotiated, settled, reduced, or otherwise altered.

The Façade Firms Are Controlled by Ryan Sasson and Jason Blust and Act as Cover for SFS

124. Individual Defendants Ryan Sasson and Jason Blust created the Façade Firms to provide consumers with the sense that SFS's debt-relief service is professional and trustworthy, and to conceal the role of SFS from consumers and the public.

125. SFS and Sasson benefit from the concealment of SFS as the primary actor in the debt-relief service. When consumers complain to regulators, prosecutors, or the Better Business Bureau, they complain about the Façade Firm (whose name they have),

not SFS (whose name they do not have). This shields SFS from scrutiny and could make it more difficult for consumers to bring lawsuits against the SFS operation.

126. Despite Defendants' efforts to present Façade Firms as separate from SFS, Ryan Sasson and Jason Blust maintain and control the Façade Firms as part of their debt-relief scheme.

Sasson's Role in the Façade Firms

127. As the CEO of SFS, Ryan Sasson coordinates with Jason Blust and other Façade Firm attorneys to conceal SFS's role in providing debt-relief services. Sasson created and controls the Client Services Subsidiaries that correspond to each Façade Firm.

128. Sasson also created and owns Façade Firm websites, including websites for Northstar Legal Group, Atlas Law Group, Anchor Law Firm, Harbor, Boulder, Bedrock, Royal, Stonepoint, Rockwell, Canyon, Summit, Great Lakes, Heartland, Whitestone, Monarch, Option 1, and WyoLaw. SFS pays the domain bills for these websites.

Jason Blust Controls the Façade Firms

129. Jason Blust coordinates the web of Façade Firms and exercises extensive control over them. He also helped create several of the Façade Firms. For example, Jason Blust orchestrated the creation of WyoLaw. He advised Traci Mears, a figurehead attorney, on setting up bank accounts, Employer Identification Numbers and the firm's mailing address, among other decisions.

130. In 2021, the North Carolina State Bar Disciplinary Hearing Commission held a hearing regarding the license of Daniel Rufty, an attorney at Carolina Legal Services, which is one of the Façade Firms. The Commission issued a finding of fact that Jason Blust "started or helped start various law firms . . . in multiple states with the goal

of convincing debtors struggling to pay their bills to hire one of the [Façade Firms] to negotiate reduced payoff amounts with the debtor's creditors."

131. In its ruling, the Commission referred to various Façade Firms as the "Blust Law Firms."

132. The Commission concluded that "[Jason] Blust was in charge of the operations of [Carolina Legal Services] and regularly told [Rufty] what to do."

133. In addition to his role in the creation of numerous Façade Firms, Jason Blust plays a continuing role in the management and oversight of many of them.

134. Jason Blust directly manages some of the Façade Firms' operations. For example, he stated in 2020 in a sworn affidavit that he began managing the operations of the Anchor Law Firm, PLLC in 2016, including managing Anchor Law's attorneys and Anchor Law's non-attorney support services, which consist primarily of SFS and Client Services Subsidiary employees. Blust stated in the affidavit that he was still managing the firms at the time of the affidavit.

135. Jason Blust also holds official positions in some Façade Firms. For example, he is a Vice President at Pioneer Law Firm, P.C.

Jason Blust Recruits Attorneys for Façade Firms

136. Jason Blust also recruits attorneys for several of the Façade Firms, including Bedrock, Boulder, Carolina, Canyon, Harbor, Heartland, Rockwell, and Royal.

137. For example, he recruited an SFS employee, Lauren Montanile, to become a member or supervising attorney of multiple Façade Firms, including Bedrock, Boulder, Carolina, Canyon, Harbor, and Heartland. Montanile still works at SFS but also reports to Jason Blust pursuant to her position at certain Façade Firms.

138. As SFS CEO, Ryan Sasson also exercises control over Montanile, an SFS employee. Montanile's business address on file with the New York Bar is one of SFS's addresses: 711 3rd Avenue, 6th Floor, New York, New York 10017.

Jason Blust Is a Conduit Between Façade Firms and SFS

139. Jason Blust also serves as a conduit between the Façade Firms, SFS, and the Client Services Subsidiaries, facilitating communications between the Façade Firms, on one hand, and SFS and its Client Services Subsidiaries, on the other hand.

140. Jason Blust regularly emails and talks on the phone with employees of SFS and its Client Services Subsidiaries about consumers in SFS's debt-relief service.

141. When employees of SFS or its Client Services Subsidiaries, including Montanile, are unable to resolve escalated consumer issues, they often consult with Jason Blust or send the issue to him for resolution.

142. Jason Blust consults with employees of SFS, Client Services Subsidiaries, and Façade Firms regarding consumer complaints against Façade Firms, including complaints to state bars and the Better Business Bureau (BBB). Blust coordinates efforts by SFS, Client Services Subsidiaries, and Façade Firms to pressure consumers to take down negative reviews of Façade Firms to keep BBB ratings higher.
The BBB ratings are used by SFS as a sales pitch, with SFS representatives suggesting that high BBB ratings are a reason that consumers should sign up for SFS's debt-relief service.

143. Jason Blust controls when Façade Firm attorneys are allowed to work on client files. Façade Firm attorneys communicate issues to Jason Blust, such as when consumers are sued by their creditors. Blust then chooses whether to direct SFS to open a litigation file.

144. Jason Blust also participates in meetings between SFS, Client Services Subsidiaries, and many of the Façade Firms, including Anchor Law Firm, PLLC, Bedrock Legal, LLC, Boulder Legal Group, LLC, Carolina Legal Services, LLC, Canyon Legal Group, LLC, Great Lakes Law Firm, LLC, Harbor Legal Group, LLC, Heartland Legal Group, LLC, Monarch Legal Group, LLC, and Royal Legal Group, LLC. At least one of the meetings between Blust and an attorney from Carolina Legal Services, LLC took place in New York State. Notably, Jason Blust participates regardless of whether he holds an official position with each firm.

Jason Blust Provides Websites for, and Shares an Address with, Multiple Façade Firms

145. Jason Blust also registered domain names for Façade Firms, including Pioneer Law Firm, P.C., Harbor Legal Group, LLC, and Phoenix Legal Group, PLLC. Jason Blust controls the Façade Firm websites by selecting the vendor that creates the websites. Entities that Jason Blust controls or is the beneficiary of, including the Law Office of Jason Blust, LLC and Relief Defendants Blust Family Irrevocable Trust and Lit Def Strategies, use addresses in a co-working space at 211 W Wacker Drive, Chicago, IL 60606.

146. Numerous Façade Firms use addresses in the same co-working space at 211 W. Wacker Dr. Chicago, IL 60606. At least ten Façade Firms have used addresses in that building:

- Anchor Law Firm, PLLC;
- Boulder Legal Group, LLC;
- Burnette Legal Group, LLC, a/k/a Monarch Legal Group;
- Credit Advocates Law Firm, LLC;

- Great Lakes Law Firm, LLC;
- Gustafson Legal, P.C.;
- Hallock & Associates;
- Harbor Legal Group;
- Henry Legal Group LLP;
- Hinds Law LLC d/b/a First America Law;
- Law Offices of Timothy F. Burnette;
- Option 1 Legal;
- Pioneer Law Firm, P.C.; and
- Wyolaw, LLC, d/b/a Summit Law Firm, LLC.

Transfer of Assets to Individual Defendants and Relief Defendants

147. The Individual Defendants and Relief Defendants received funds obtained from consumers through the unlawful practices described in this Complaint.

The Façade Firms and Client Services Subsidiaries Benefit Jason Blust Financially

148. Individual Defendant Jason Blust benefits financially from the Façade Firms and the Client Services Subsidiaries. Specifically, Blust has control over bank accounts for certain Façade Firms which receive substantial funds from Client Services Subsidiaries, and Blust funnels money from the Façade Firms to his consulting companies.

149. Jason Blust is the beneficial owner and signatory on bank accounts for Pioneer Law Firm, P.C. As such, he has control over and entitlement to the funds in those accounts. Bank account records show that in May and June 2018 alone, these accounts received over $51,000 in payments from Pioneer Client Services, LLC, the related Client Services Subsidiary.

150. Jason Blust also uses consulting companies to direct consumer funds from the Façade Firms to himself. Jason Blust directs and controls Relief Defendants Lit Def Strategies, LLC and Relialit, LLC. He is the sole beneficial owner for bank accounts for those two entities. As of June 2021, Jason Blust was the sole member and manager of Relialit, LLC and the manager of Lit Def Strategies, LLC.

151. Jason Blust and his various companies received significant payments from Façade Firms. For example, the following Façade Firms regularly sent payments to Lit Def Strategies:

- A. Florio & Associates, PLLC d/b/a Bedrock Legal Group f/k/a Raggio & Associates, PLLC;
- Anchor Law Firm, PLLC;
- Burnette Legal Group, LLC d/b/a Monarch Legal Group;
- Daniel Rufty Legal d/b/a Carolina Legal Services;
- Gardner Legal LLC d/b/a Option 1 Legal;
- Great Lakes Law Firm, LLC;
- Green Legal Services, LLC d/b/a Newport Legal Group;
- Harbor Legal Group, LLC;
- Henry Legal Group, LLP d/b/a Heartland Legal Group;

- Northstar Legal Group, LLC;
- The Sands Law Group d/b/a Whitestone Legal Group; and
- WyoLaw d/b/a Summit Law Firm.

From December 2019 to April 2021, payments from the foregoing Façade Firms to Lit Def Strategies totaled over $28 million.

152. The following Façade Firms regularly sent payments to Relialit: The Sands Law Group, LLP; Burnette Legal Group, LLC; WyoLaw, LLC; Turnbull & Associates, LLC; Anchor Law Firm, PLLC; Raggio and Associates PLLC; Boulder Legal Group, LLC; JMS Industries. LLC; Colonial Law Group, LLC; Cornerstone Legal Group, LLC; Law Office of Amber Florio, PLLC; Crimson Legal Group, LLC; Frontier Consumer Law Group, LLC; Chabner Legal and Associates, LLP; Great Lakes Law Firm, LLC; Harbor Legal Group, LLC; Phoenix Legal Group, PLLC; Hodyno & Associates, PLLC; Donald Norris Associates PLLC; Royal Legal Group, LLC; Gardner Legal Group LLC; Lighthouse Tax & Financial, LLC; Pioneer Law Firm, P.C.; Henry Legal Group LLP; Daniel Rufty Legal, PLLC; and Meg Sohmer Wood, PLLC. From March 2019 and January 2020, these payments totaled over $358,000.

153. Façade Firms also pay both Jason Blust personally and the Law Office of Jason Blust. For example, from January 2019 to May 2021, Monarch Legal Group paid Jason Blust $18,311 and the Law Office of Jason Blust $215,000.

154. Similarly, Daniel Rufty, the local attorney for Façade Firm Carolina Legal Services referenced above in Paragraphs 130-132, testified in a 2021 North Carolina State Bar investigation that his firm paid consultants including Jason Blust and that Global sent payments from consumers' escrow accounts to Carolina Client Services, LLC (an SFS-owned entity).

155. Rufty further testified that he although he owned 99% of Carolina Legal Services, he had rights to only 3% of its profits. The remaining 97% of profits were sent to Jason Blust and his associates, either directly or through his companies. Rufty testified that the payments were ostensibly for consulting work, data entry, and administrative services.

156. The North Carolina State Bar ultimately found that consumer funds were used to pay Lit Def Strategies, Jason Blust, and SFS.

Transfer to the ESOP Benefits Blumkin

157. Prior to the formation of Strategic ESOP and Strategic ESOT, Twist Financial, LLC (Blumkin's company) owned 17.99% of SFS.

158. When SFS formed Strategic ESOP and Strategic ESOT, Twist (i.e., Blumkin) loaned Strategic ESOP approximately $43,000,000 at 3% interest rather than taking a lump sum payout for its ownership stake. Between December 2017 and March 2020, Blumkin received over $1,900,000 in interest payments and over $16,200,000 in principal repayments on the loan. Blumkin receives regular payments of interest and principal on this loan.

159. Between December 2017 and March 2020, Strategic ESOP paid Twist over $16 million in principal and almost $2 million in interest.

Transfer of Assets to Relief Defendants

160. Defendant Sasson and Relief Defendants Blumkin and Behar direct and control Relief Defendants Duke Enterprises, LLC, Twist Financial, LLC, and Blaise Investments, LLC, respectively.

161. Defendants Sasson and Relief Defendants Blumkin and Behar are the sole members of Relief Defendants Duke Enterprises, LLC, Twist Financial LLC, and Blaise Investments, LLC, respectively.

162. Between October 2016 and September 2017, SFS transferred almost $9,000,000 to Relief Defendants Twist Financial, LLC, Duke Enterprises, LLC, and Blaise Investments, LLC. Ryan Sasson was the signatory on the SFS account that transferred the funds. As such, Sasson had control over the flow of money into and out of the account.

163. Between October 2016 and September 2017, SFS transferred over $3,200,000 to Blaise Investments, LLC.

164. Between October 2016 and September 2017, SFS transferred over $3,400,000 to Duke Enterprises, LLC.

165. Between October 2016 and September 2017, SFS transferred over $2,200,000 to Twist Financial, LLC.

166. Donald J. Holmgren is the trustee of the Blust Family Irrevocable Trust. Holmgren resides at 7634 W Balmoral Ave, Chicago, IL. Jason Blust is the beneficiary of the Blust Family Irrevocable Trust.

167. Between March 2020 to April 2021, Lit Def Strategies paid $36,000,000 to the Blust Family Irrevocable Trust.

168. Defendant Jason Blust directs and controls Relief Defendants Lit Def Strategies, LLC and Relialit, LLC. Jason Blust is the sole beneficial owner on bank accounts for these entities at Associated Bank, at least.

169. Between July 2020 and April 2021, the Blust Family Irrevocable Trust paid $8,300,000 to Relief Defendant Jaclyn Blust.

170. Relief Defendants Albert Ian Behar, Duke Enterprises, LLC, Twist Financial, LLC, Blaise Investments, LLC, Lit Def Strategies, LLC, Relialit, LLC, the Blust Family Irrevocable Trust Through Donald J. Holmgren, Trustee, Jaclyn Blust, Strategic ESOP, and Strategic ESOT have received, directly or indirectly, funds and other assets from Defendants that are traceable to funds obtained from consumers through Defendants unlawful practices.

Count 1
By the Bureau and the States
Charging Advance Fees in Violation of the TSR By Collecting Money Before the Consumer Has Made at Least One Payment Under a Settlement Plan
(Against all Defendants except Jason Blust)

171. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1-170 of this Complaint.

172. It is a violation of the TSR for any seller or telemarketer in connection with the sale of any debt-relief service to request or receive payment of any fee or consideration for any debt-relief service until and unless: (A) the seller or telemarketer has renegotiated, settled, reduced, or otherwise altered the terms of at least one debt under a settlement agreement, debt-management plan, or other such valid contractual agreement executed by the customer; and (B) the customer has made at least one payment under that settlement agreement, debt-management plan, or other valid contractual agreement between the customer and the creditor or debt collector. 16 C.F.R. § 310.4(a)(5)(i)(A)-(B).

173. From at least January 2016 through the present, SFS, the Client Services Subsidiaries, and Sasson have engaged in ongoing conduct to request and receive fees

from consumers in connection with enrolled debts even though Defendants had not yet renegotiated, settled, reduced, or otherwise altered the terms of these debts under a settlement agreement, debt-management plan, or other such valid contractual agreement executed by the consumers. Indeed, as noted above, Defendants have frequently requested and received fees from consumers for whom they have not renegotiated, settled, or reduced any debt.

174. In addition, as discussed above, from at least January 2016 and continuing through the present, Defendants have requested and received fees from consumers in connection with enrolled debts even though consumers had not yet made any payments under a settlement agreement, debt-management plan, or other valid contractual agreement between the consumers and the creditor or debt collector and relating to those enrolled debts.

175. As discussed above, Individual Defendant Ryan Sasson participated in this practice of requesting and receiving fees (including but not limited to retainer fees, service fees, and administrative fees) before consumers made the first debt-relief payment to a creditor. Sasson also controlled SFS and its Client Services Subsidiaries and had authority to control the manner and timing of their requests for and receipt of fees and SFS's use of telemarketing. Sasson either knew about or was recklessly indifferent to the fact that SFS was selling debt-relief services by phone, including through interstate calls, and the manner and timing of SFS's and its Client Services Subsidiaries' requests for and receipt of fees.

176. Defendants' practice of requesting or receiving payment of fees (including but not limited to service fees, administrative fees, and retainer fees) from consumers

under the circumstances described in Paragraphs 87-95 is an abusive act or practice in telemarketing that violates the TSR. 16 C.F.R. § 310.4(a)(5)(i)(A)-(B).

177. Individual Defendant Ryan Sasson controls SFS and its Client Services Subsidiaries and has authority to control practices regarding telemarketing and fees. Sasson also knows, or is recklessly indifferent to, the fact that SFS and its Client Services Subsidiaries sell debt-relief services by phone, including through interstate calls and that they request or receive fees from consumers before consumers made the first debt-relief payment to a creditor. Thus, Sasson is individually liable for these violations of the TSR. 16 C.F.R. § 310.4(a)(5)(i)(A)-(B).

Count 2

By the Bureau and the States

Charging Advance Fees in Violation of the TSR by Collecting Fees After Settling Some but not all of a Consumer's Debts When the Fees Are not Proportional to the Amount of Debt Actually Settled or Based on a Fixed Percentage of the Amount Saved

*(*Against all Defendants except Jason Blust*)*

178. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1-170 of this Complaint.

179. To the extent a seller or telemarketer renegotiates, settles, reduces, or otherwise alters a consumer's enrolled debts individually over time, the TSR prohibits the seller or telemarketer from requesting or receiving any fee or consideration unless such fee or consideration: (1) bears the same proportional relationship to the total fee from renegotiating, settling, reducing, or altering the terms of the consumer's entire debt balance as the individual debt amount bears to the entire debt amount, with the individual debt amount and the entire debt amount being those owed at the time the debt was enrolled in the service; or (2) is a percentage of the amount saved as a result of the renegotiation, settlement, reduction, or alteration. 16 C.F.R. § 310.4(a)(5)(i)(C).

180. From at least January 2016 through the present, SFS, its Client Services Subsidiaries, and Sasson have settled consumers' debts individually over time and after doing so, have requested or received fees that: (1) do not bear the same proportional relationship to the total fee as the individual debt amount bears to the entire debt amount at the time of enrollment; and (2) are not a percentage of the amount saved as a result of the renegotiation, settlement, reduction, or alteration.

181. As discussed above, Individual Defendant Ryan Sasson participated in settling consumers' debts individually over time and while doing so, requesting or receiving fees that: (1) do not bear the same proportional relationship to the total fee as the individual debt amount bears to the entire debt amount at the time of enrollment; and (2) are not a percentage of the amount saved as a result of the renegotiation, settlement, reduction, or alteration. Sasson also controls SFS and its Client Services Subsidiaries and has authority to control practices regarding telemarketing and fees.

182. Sasson either knows, or is recklessly indifferent to, the fact that SFS and its Client Services Subsidiaries sell debt-relief services by phone, including through interstate calls, and that they request or receive fees that: (1) do not bear the same proportional relationship to the total fee as the individual debt amount bears to the entire debt amount at the time of enrollment; and (2) are not a percentage of the amount saved as a result of the renegotiation, settlement, reduction, or alteration.

183. Defendants' practice of requesting or receiving fees described in Paragraphs 87-95 constitutes an abusive act or practice in telemarketing that violates the TSR. 16 C.F.R. § 310.4(a)(5)(i)(C).

184. Individual Defendant Ryan Sasson controls SFS and its Client Services Subsidiaries and has authority to control practices regarding telemarketing and fees.

Sasson also knows, or is recklessly indifferent to, the fact that SFS and its Client Services Subsidiaries sell debt-relief services by phone, including through interstate calls, and request or receive fees or consideration that: (1) do not bear the same proportional relationship to the total fee from renegotiating, settling, reducing, or altering the terms of the consumer's entire debt balance as the individual debt amount bears to the entire debt amount, with the individual debt amount and the entire debt amount being those owed at the time the debt was enrolled in the service; or (2) are not a percentage of the amount saved as a result of the renegotiation, settlement, reduction, or alteration. Thus, Sasson is individually liable for these violations of the TSR. 16 C.F.R. § 310.4(a)(5)(i)(C).

Count 3
By the Bureau and the States
Substantial Assistance in Violation of the TSR
(Against SFS and Client Services Subsidiaries)

185. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1-170 of this Complaint.

186. The TSR prohibits any person from providing substantial assistance or support to any seller or telemarketer when that person knows or consciously avoids knowing that the seller or telemarketer is engaged in any act or practice that constitutes deceptive or abusive conduct under the TSR. 16 C.F.R. § 310.3(b).

187. As explained above, the Façade Firms constitute "sellers" in connection with their provision of, or arranging for others to provide, debt-relief services. 16 C.F.R. § 310.2(o), (dd), (ff).

188. As explained above, in the course of offering to provide or providing debt-relief services to consumers, the Façade Firms have engaged, and continue to engage in, abusive acts or practices in violation of the TSR. 16 C.F.R. § 310.4(a)(5).

189. SFS and the Client Services Subsidiaries provided, and continue to provide, substantial assistance or support to the Façade Firms by, among other things: creating and controlling the Façade Firms; handling all (or almost all) of the negotiation work on behalf of the Façade Firms; handling all (or almost all) consumer interactions while holding themselves out as Façade Firms; interacting with RAM and Global on behalf of the Façade Firms; and participating in the day-to-day business operations of the Façade Firms.

190. SFS and the Client Services Subsidiaries knew or consciously avoided knowing that the Façade Firms were requesting or receiving fees from consumers before consumers made the first debt-relief payment to a creditor; and knew or consciously avoided knowing that the Façade Firms were settling consumer debts one at a time and taking fees that: (1) do not bear the same proportional relationship to the total fee as the individual debt amount bears to the entire debt amount at the time of enrollment; and (2) are not a percentage of the amount saved as a result of the renegotiation, settlement, reduction, or alteration.

191. SFS and the Client Services Subsidiaries have violated, and continue to violate, the TSR's ban on assisting and facilitating others' violations of that rule. 16 C.F.R. § 310.3(b).

Count 4
By the Bureau and the States
Substantial Assistance in Violation of the TSR
(Against Individual Defendants Sasson and Blust)

192. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1-170 of this Complaint.

193. As explained above, SFS constitutes a "telemarketer" and SFS, the Client Services Subsidiaries, and the Façade Firms constitute "sellers" in connection with their provision of, or arranging for others to provide, debt-relief services. 16 C.F.R. § 310.2(o), (dd), (ff).

194. In the course of offering to provide or providing debt-relief services to consumers, the Façade Firms, the Client Services Subsidiaries, and SFS (largely acting through the Façade Firms and its Client Services Subsidiaries) have engaged, and continue to engage in, abusive acts or practices in violation of the TSR. 16 C.F.R. § 310.4(a)(5).

195. The Individual Defendants provided, and continue to provide, substantial assistance or support to SFS, the Façade Firms, and the Client Services Subsidiaries.

196. Ryan Sasson oversees all employees at SFS. He participated in the creation of the Façade Firms and the Client Services Subsidiaries and exerts control over both. Sasson interacted with RAM and Global on behalf of SFS, the Façade Firms, and the Client Services Subsidiaries. He participates in the day-to-day business operations of SFS, the Façade Firms, and the Client Services Subsidiaries.

197. Jason Blust is a vice president for one Façade Firm, a member of another, and was involved in the creation of yet another. He also registered the domains for two of the Façade Firms. Jason Blust recruited attorneys to the Façade Firms and managed

the operations of Anchor Law Firm, PLLC from 2016 until at least 2020. He participates in the day-to-day operations of the Façade Firms, in part through his consulting firms, Relief Defendants Relialit and Lit Def Strategies. Jason Blust facilitated communication between the Façade Firms and SFS.

198. The Individual Defendants knew or consciously avoided knowing: 1) that SFS was selling debt-relief services by phone, including through interstate calls; 2) that following the phone sales, SFS, the Façade Firms, and the Client Services Subsidiaries were providing debt-relief services for consideration; 3) that SFS, the Façade Firms, and the Client Services Subsidiaries were requesting or receiving fees from consumers before consumers made the first debt-relief payment to a creditor; and 4) that SFS, the Façade Firms and the Client Services Subsidiaries were settling consumer debts one at a time and taking fees that: (a) do not bear the same proportional relationship to the total fee as the individual debt amount bears to the entire debt amount at the time of enrollment; and (b) are not a percentage of the amount saved as a result of the renegotiation, settlement, reduction, or alteration.

199. The Individual Defendants have violated, and continue to violate, the TSR's ban on assisting and facilitating others' violations of that rule. 16 C.F.R. § 310.3(b).

Count 5
By the People of the State of New York
Repeated Fraudulent Acts in Violation of Exec. Law § 63(12)
(Against All Defendants)

200. The NYAG incorporates by reference the allegations contained in Paragraphs 1-170 of the Complaint.

201. New York Executive Law § 63(12) empowers the Attorney General to seek restitution, damages and injunctive relief when any person or business entity has engaged in repeated fraudulent or illegal acts or otherwise demonstrates persistent fraud or illegality in the carrying on, conducting, or transaction of business. Statutory fraud under Executive Law § 63(12) is broader than common law fraud and includes any acts that have a tendency to deceive.

202. Defendants have engaged in repeated fraudulent acts or otherwise demonstrated persistent fraud in the carrying on, conducting, or transaction of their debt relief business.

203. The Individual Defendants participated in, had the ability to control, were aware of, or should have been aware of, the fraudulent acts of SFS and the Client Services Subsidiaries.

Count 6
By the People of the State of New York
Engaging in Deceptive Acts or Practices in Violation of GBL § 349
(Against All Defendants)

204. The NYAG incorporates by reference the allegations contained in Paragraphs 1-170 of this Complaint.

205. New York General Business Law § 349 provides that "[d]eceptive acts or practices in the conduct of any business . . . in this state are hereby declared unlawful."

206. In numerous instances, Defendants have violated GBL § 349 by engaging in deceptive acts or practices in connection with conducting their debt relief business.

207. The Individual Defendants participated in, had the ability to control, were aware of, or should have been aware of, the deceptive acts and practices of SFS and the Client Services Subsidiaries.

Count 7
By the Bureau and the States
Funds and Assets Obtained Through Unlawful Practices Held in Constructive Trust
(Relief Defendants)

208. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1-170 of the Complaint.

209. Relief Defendants have received, directly or indirectly, funds or other assets from Defendants that are traceable to, or commingled with, funds obtained from consumers through the unlawful practices described in this Complaint.

210. Relief Defendants are not bona fide purchasers with legal or equitable title or other legitimate claim to the funds or other assets received from Defendants.

211. Relief Defendants would be unjustly enriched if not required to disgorge funds or the value of the benefits received as a result of Defendants' unlawful acts or practices.

212. The Relief Defendants hold funds and assets in constructive trust for the benefit of affected consumers.

Count 8
By the State of Wisconsin
Operating as Adjustment Service Company in Wisconsin Without License
(Great Lakes Client Services, LLC, StratFS, LLC, Strategic Client Support, LLC, Strategic CS, LLC, Strategic FS Buffalo, LLC, Strategic NYC, LLC, Strategic Consulting, LLC, Strategic Family, Inc., Ryan Sasson and Jason Blust)

213. The State of Wisconsin incorporates by reference the allegations contained in Paragraphs 1-170 of this Complaint.

214. Wisconsin Stat. § 218.02(1)(a) defines "adjustment service company," in relevant part, as a "corporation, limited liability company, association, partnership or individual engaged as principal in the business of prorating the income of a debtor to the debtor's creditor or creditors . . . in return for which the principal receives a service charge or other consideration."

215. Defendants Great Lakes Client Services, LLC, StratFS, LLC, Strategic Client Support, LLC, Strategic CS, LLC, Strategic FS Buffalo, LLC, Strategic NYC, LLC, Strategic Consulting, LLC, Strategic Family, Inc., Ryan Sasson and Jason Blust are each "adjustment service companies" within the scope of Wis. Stat. § 218.02(1)(a).

216. Wis. Stat. § 218.02(2)(a)1. requires every adjustment service company to "apply to the division [of banking] for a license to engage in such business."

217. None of Defendants has ever applied for an adjustment service company license as required by Wis. Stat. § 218.02(2)(a)1.

Count 9
By the State of Wisconsin
Violations of Wisconsin Adjustment Service Company Rules
(Great Lakes Client Services, LLC, StratFS, LLC, Strategic Client Support, LLC, Strategic CS, LLC, Strategic FS Buffalo, LLC, Strategic NYC, LLC, Strategic Consulting, LLC, Strategic Family, Inc., Ryan Sasson, and Jason Blust)

218. The State of Wisconsin incorporates by reference the allegations contained in Paragraphs 1-170 of this Complaint.

219. Wisconsin Stat. § 218.02(7) provides that "It shall be the duty of the division [of banking] and the division shall have the power, jurisdiction and authority . . . [t]o issue general or special orders in execution of or supplementary to this section,

but not in conflict therewith, to protect debtors from oppressive or deceptive practices of licensees." Subsection (7)(d) further authorizes the division "[t]o determine and fix by general order the maximum fees or charges that such companies may make."

220. The division has promulgated Wis. Admin. Code § DFI-Bkg chapter 73 pursuant to the preceding legislative authorizations.

221. Defendants Great Lakes Client Services, LLC, StratFS, LLC, Strategic Client Support, LLC, Strategic CS, LLC, Strategic FS Buffalo, LLC, Strategic NYC, LLC, Strategic Consulting, LLC, Strategic Family, Inc., Ryan Sasson and Jason Blust have violated Wis. Admin. Code § DFI-Bkg 73 by: (a) charging fees far in excess of what is permitted under the rule, and (b) charging fees before any of the debtors' funds are remitted to the debtors' creditors as part of settlement.

DEMAND FOR RELIEF

Plaintiffs request that the Court:

a. Award the Plaintiffs such preliminary injunctive and ancillary relief as may be necessary to avert the likelihood of consumer injury during the pendency of this action, including but not limited to a temporary restraining order and preliminary injunction on taking advance fees prior to the settlement of a consumer debt, an order freezing assets, directing the preservation of records, and allowing expedited discovery and financial reporting, and appointment of a temporary receiver;

b. Permanently enjoin Defendants from committing future violations of the Telemarketing Act, 15 U.S.C. §§ 6102(c), 6105(d); the TSR, 16 C.F.R. pt. 310; and the CFPA, 12 U.S.C. § 5536(a), and any other provision of "Federal consumer financial law," as defined by 12 U.S.C. § 5481(14), as well as New

York General Business Law Articles 22-A and 28-B, and New York Executive Law § 63(12);

c. Permanently enjoin Defendants from the advertisement, marketing, promotion, offering for sale, or selling of any consumer financial product or service, including but not limited to any debt-relief service, and prohibit SFS, the Façade Firms, the Client Services Subsidiaries, and the Individual Defendants from having an ownership stake in any company that provides a debt-relief service;

d. Award damages and other monetary relief against Defendants and Relief Defendants as the Court finds necessary to redress consumer injury resulting from Defendants' violations of the TSR, New York state law, and Wisconsin state law, including but not limited to rescission or reformation of contracts, refund of moneys paid, restitution, disgorgement or compensation for unjust enrichment, payment of damages, civil penalties pursuant to New York General Business Law § 350-d, and prejudgment interest;

e. Award the Bureau and the States civil money penalties;

f. Order Defendants to pay Plaintiffs' costs incurred in connection with prosecuting this action; and

g. Award additional relief as the Court may determine to be just and proper.

Dated: January 10, 2024

Respectfully submitted,

Attorneys for Plaintiff
Consumer Financial Protection Bureau

ERIC HALPERIN
Enforcement Director

RICHA SHYAM DASGUPTA
Deputy Enforcement Director

TIMOTHY M. BELSAN
Assistant Litigation Deputy

/s/ Vanessa Buchko
Vanessa Buchko
E-mail: vanessa.buchko@cfpb.gov
Phone: 202-435-9593
Monika Moore
E-mail: monika.moore@cfpb.gov
Phone: 202-360-9505
Joseph Sanders
E-mail: joseph.sanders@cfpb.gov
Phone: 202-377-9846
1700 G Street, NW
Washington, DC 20552
Facsimile: (202) 435-7722

And

LETITIA JAMES
Attorney General of the State of New York

/s/ Christopher L. Boyd
Christopher L. Boyd
Assistant Attorney General
350 Main Street, Suite 300A
Buffalo, NY 14202
Phone: (716) 853-8457
Email: Christopher.Boyd@ny.ag.gov

Attorney for State of New York

PHILIP J. WEISER
Attorney General
State of Colorado

/s/ Kevin J. Burns
Kevin J. Burns, CO Reg. No. 44527
Pro hac vice application pending
Senior Assistant Attorney General
Colorado Department of Law

Ralph L. Carr Judicial Center
Consumer Protection Section
1300 Broadway, 6th Floor
Denver, CO 80203
Phone: (720) 508-6110
Kevin.Burns@coag.gov

Attorneys for Plaintiff State of Colorado, ex rel. Philip J. Weiser, Attorney General

KATHLEEN JENNINGS
Attorney General State of Delaware

/s/ Marion M. Quirk
Marion M. Quirk (*pro hac vice, pending*)
Director of Consumer Protection
Kevin D. Levitsky (*pro hac vice forthcoming, if required*)
Deputy Attorney General
Delaware Department of Justice
820 N. French Street, 5th Floor
Wilmington, DE 19801
Phone: (302) 683-8810
Marion.Quirk@delaware.gov
Kevin.Levitsky@delaware.gov
Attorneys for State of Delaware

Attorneys for State of Delaware

KWAME RAOUL
Attorney General
State of Illinois

By: */s/ Greg Grzeskiewicz*
Greg Grzeskiewicz, Chief, Consumer Fraud Bureau
Pro hac vice application forthcoming, if required
Daniel Edelstein, Supervising Attorney,

Consumer Fraud Bureau
Pro hac vice application forthcoming, if required
Amanda E. Bacoyanis, Assistant Attorney
General, Consumer Fraud Bureau
Pro hac vice application forthcoming
Matthew Davies, Assistant Attorney General,
Consumer Fraud Bureau
Pro hac vice application forthcoming, if required
Office of the Illinois Attorney General
100 W. Randolph Street, 12th Floor
Chicago, Illinois 60601
312-814-2218
Greg.Grzeskiewicz@ilag.gov
Daniel.Edelstein@ilag.gov
Amanda.Bacoyanis@ilag.gov
Matthew.Davies@ilag.gov

Attorneys for the People of the State of Illinois

KEITH ELLISON
Attorney General of Minnesota

/s/ Evan Romanoff
Evan Romanoff
Assistant Attorney General
Pro hac vice application pending
445 Minnesota Street, Suite 1200
St. Paul, Minnesota 55101-2130
Telephone: (651) 728-4126
evan.romanoff@ag.state.mn.us

Attorney for the State of Minnesota
By Its Attorney General, Keith Ellison

JOSHUA H. STEIN
Attorney General of North Carolina

/s/ M. Lynne Weaver
M. Lynne Weaver (*pro hac vice* pending)
Special Deputy Attorney General
N.C. State Bar No. 19397
114 W. Edenton Street
Raleigh, NC 27602
Telephone: (919) 716-6039
lweaver@ncdoj.gov

Attorney for the State of North Carolina

JOSHUA L. KAUL
Attorney General of Wisconsin

/s/ Lewis W. Beilin
Assistant Attorney General (*pro hac vice* pending)
Wisconsin Department of Justice
17 West Main Street
Post Office Box 7857
Madison, WI 53707-7857
(608) 266-1221
beilinlw@doj.state.wi.us

Attorney for State of Wisconsin

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NEW YORK

CONSUMER FINANCIAL PROTECTION BUREAU, et al., Plaintiffs, v. STRATFS, LLC (f/k/a STRATEGIC FINANCIAL SOLUTIONS, LLC), et al. Defendants, and DANIEL BLUMKIN, et al., Relief Defendants.	**CASE NO.** **FILED UNDER SEAL**

PLAINTIFFS' MEMORANDUM IN SUPPORT OF THEIR *EX PARTE* APPLICATION FOR A TEMPORARY RESTRAINING ORDER WITH ASSET FREEZE, APPOINTMENT OF A RECEIVER, OTHER EQUITABLE RELIEF, AND AN ORDER TO SHOW CAUSE WHY A PRELIMINARY INJUNCTION SHOULD NOT ISSUE

The Consumer Financial Protection Bureau (Bureau), the People of the State of New York by Letitia James, Attorney General of the State of New York (NYAG), the State of Colorado *ex rel*. Philip J. Weiser, the State of Delaware *ex. rel.* Kathleen Jennings, Attorney General, the People of the State of Illinois through Attorney General Kwame Raoul, the State of Minnesota by its Attorney General Keith Ellison, the State of North Carolina ex rel. Joshua H. Stein, Attorney General, and the State of Wisconsin (collectively, the States and with the Bureau, the Plaintiffs) ask the Court to issue a temporary restraining order (TRO) halting Defendants from continuing to take millions of dollars in illegal fees from cash-strapped consumers. As explained below, Defendants begin requesting and receiving exorbitant fees as soon as an individual signs up for their "debt-relief services," even though Defendants know they may not settle any individual consumer's debts for many months (if at all), in flagrant violation of the Telemarketing Sales Rule's (TSR or the Rule) direct prohibition on up-front fees. Defendants' wanton disregard for the law and the harm it continues to cause consumers warrants immediate relief. The Rule seeks to protect consumers who are already suffering financial distress from using their scarce funds to pay in advance for promised results that often do not materialize.[1] Furthermore, the Rule was motivated by concerns that consumers were paying advanced fees to debt-relief services, instead of making payments to their creditors, and were not only incurring late charges and additional interest but were also suffering lasting harm to their creditworthiness.[2]

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[1] Telemarketing Sales Rule, 75 Fed. Reg. 48482 (Aug. 10, 2010) (to be codified at 16 C.F.R. Part 310).
[2] *Id.*

The Rule applies to telemarketing and contains an exemption for sales made face-to-face where there is "direct, substantive and personal contact between the consumer and the seller."[3] Defendants indisputably sell their services via telemarketing. Defendants appear to attempt to evade the Rule by hiring notary services to conduct perfunctory singing sessions in person, after the consumer has already been sold Defendants' debt relief services over the phone. As explained below, Defendants are wrong as a matter of law and their conduct is plainly covered by the Rule.

Since at least January 2016, Defendants StratFS, LLC (f/k/a Strategic Financial Solutions, LLC), Strategic Client Support, LLC (f/k/a Pioneer Client Services, LLC), Strategic CS, LLC, Strategic FS Buffalo, LLC, Strategic NYC, LLC, BCF Capital, LLC, T Fin, LLC, Strategic Consulting, LLC, Versara Lending, LLC, and Strategic Family, Inc. (collectively, SFS) and Individual Defendants Ryan Sasson and Jason Blust (Individual Defendants) have participated in and benefited from a scheme designed to take illegal fees from consumers while promising to help them settle their debts. Frequently, SFS and the Individual Defendants have operated in the shadows, hiding behind dozens of façade law firms (Façade Firms)[4] located throughout the United States that purportedly help consumers settle their debts, but in reality do little, if any, work for consumers. In some cases, SFS and the Individual Defendants created entities, referred to herein as Client Services Subsidiaries, that operate as a common enterprise with SFS and purportedly provide administrative services on behalf of the Façade Firms. In truth,

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[3] Federal Trade Commission, Complying with the Telemarketing Sales Rule, https://www.ftc.gov/business-guidance/resources/complying-telemarketing-sales-rule (last visited Sept. 18, 2023).

[4] The Façade Firms are typically a dba or alternate name for an existing or newly-created solo practitioner firm. These firms do not appear to perform much additional work outside of their work with SFS.

these entities allow SFS and the Individual Defendants to operate behind the scenes while siphoning money from consumers via the Façade Firms.

Immediately after enrolling consumers in the "debt-relief services" and monthly thereafter, SFS and the Client Services Subsidiaries, as well as the Individual Defendants (collectively, Defendants), begin billing and collecting exorbitant fees. Defendants promptly collect these fees despite knowing that they may never negotiate settlement of the consumers' debts, and even if they do negotiate some debts, settlement may not occur for several months.

The amount of fees Defendants have charged and continue to charge consumers is substantial and bears no relationship to whether and when any debt has been settled. Every month the consumers pay into escrow accounts managed by payment processing companies selected by Defendants, with the understanding that the money is being saved in these accounts to pay creditors. The consumers have been instructed to stop paying their creditors and pay into these accounts instead. However, as directed by Defendants, the payment processing companies withdraw hundreds or thousands of dollars in fees from each account, purportedly for SFS's service fee for non-attorney work, a legal retainer fee, a legal administrative fee, and a fee for the payment processors' own services. Critically, Defendants begin collecting these fees *before* any of the consumer debt is settled, and the fees bear no relationship to results obtained for consumers. Indeed, the timing and nature of such fees is beyond dispute: many contracts signed by consumers contain a fee schedule showing when the fees would be withdrawn, starting with the consumer's first deposit into the escrow account. Moreover, consumers' account statements clearly show fees being withdrawn long before any settlements were paid to a creditor, a clear violation of the TSR.

Defendants' business model is directly designed to attempt to evade scrutiny and legal action from law enforcement, regulators, and other consumer protection organizations. Defendants constantly evolve and shift their practices and programs and the entities through which they operate, in order to continue taking unlawful fees from consumers in violation of the TSR. In 2023 alone, 125 complaints against SFS-related entities have been filed in the Federal Trade Commission's (FTC) Sentinel database. As explained below, Defendants' flagrant violation of the TSR's prohibitions against requesting and receiving advance fees and charging fees untethered from results, and the substantial, ongoing harm such violations have caused and are causing to consumers, calls for immediate relief.

I. RELIEF REQUESTED

Plaintiffs request that this Court issue an *ex parte* TRO against Defendants with an order to show cause why a preliminary injunction should not issue. Plaintiffs propose that the TRO enjoin Defendants from engaging in the illegal practices highlighted in the complaint and this memorandum, freeze Defendants' assets, appoint a temporary receiver who will have immediate access to the Receivership Defendants'[5] businesses, enjoin the destruction of any relevant evidence or documentation, and authorize limited expedited discovery, including sworn financial reporting. Each form of requested relief is addressed in detail below. These temporary measures are necessary to prevent ongoing harm to consumers and to protect against the risk of asset dissipation, thereby preserving this Court's ability to provide effective final relief for consumers whom Defendants have victimized.

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[5] The Receivership Defendants include SFS and the Client Services Subsidiaries (collectively the Corporate Defendants) along with the following Relief Defendants: Strategic ESOP, Strategic ESOT, Twist Financial, LLC, Duke Enterprises, LLC, Blaise Investments, LLC, the Blust Family Irrevocable Trust through Donald J. Holmgren, Trustee, Lit Def Strategies, LLC, and Relialit, LLC.

II. PARTIES

A. Plaintiffs

The Bureau is an independent agency charged with enforcing the Consumer Financial Protection Act (CFPA) and other federal consumer financial laws.[6] It has the authority to bring civil actions against persons violating federal consumer financial laws and to "seek all appropriate legal and equitable relief including a permanent or temporary injunction as permitted by law."[7] These consumer financial protection laws include the Telemarketing and Consumer Fraud and Prevention Act (TCFPA),[8] which targets deceptive and abusive acts in telemarketing, and the Telemarketing Sales Rule, which is an implementing regulation of the TCFPA.[9]

The People of the State of New York, by Letitia James, Attorney General of the State of New York, is authorized to take action to enjoin repeated and persistent fraudulent and illegal business conduct under New York Executive Law § 63(12) as well as deceptive business practices under New York General Business Law § 349, and to obtain legal or equitable relief, including rescission or reformation of contracts, restitution, the appointment of a receiver, disgorgement of ill-gotten monies, or other relief as may be appropriate. The NYAG is authorized to enforce the TSR[10] as well as the CFPA[11].

The State of Colorado, by Philip J. Weiser, Attorney General of Colorado, is authorized under the TCFPA, 15 U.S.C. § 6103(a), to bring this action to enforce the TSR.

Kathleen Jennings, Attorney General of Delaware, is authorized under the TCFPA, 15 U.S.C. § 6103(a), to bring this action to enforce the TSR.

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[6] 12 U.S.C. §§ 5491, 5564.
[7] 12 U.S.C. § 5564(a).
[8] 15 U.S.C. §§ 6101-6108.
[9] 16 C.F.R. Part 310.
[10] 15 U.S.C. § 6103(a).
[11] 12 U.S.C. § 5552.

The People of the State of Illinois, by Kwame Raoul, Attorney General of Illinois, is authorized under the TCFPA, 15 U.S.C. § 6103(a), to bring this action to enforce the TSR.

Keith Ellison, Attorney General of the State of Minnesota, is authorized under the TCFPA, 15 U.S.C. § 6103(a), to bring this action on behalf of the State of Minnesota and its citizens to enforce the TSR.

The State of North Carolina, by Joshua H. Stein, Attorney General of North Carolina, is authorized under the TCFPA, 15 U.S.C. § 6103(a), to bring this action to enforce the TSR.

The State of Wisconsin, by Joshua L. Kaul, Attorney General of Wisconsin, is authorized under the TCFPA, 15 U.S.C. § 6103(a), to bring this action to enforce the TSR. The State of Wisconsin is further authorized by Wis. Stat. §§ 165.25 and 220.04 to enforce the Wisconsin state laws pleaded in the Complaint.

The States have specific authority to enforce the TCFPA and the TSR, including the TSR's prohibitions on debt relief services, 16 C.F.R. 310.4(a)(5), and to seek to enjoin activity in violation of the TCFPA.[12]

B. Defendants

1. The SFS Entities

Strategic Family, Inc. is the parent company of other SFS defendants, including StratFS, LLC (f/k/a Strategic Financial Solutions, LLC); Strategic Client Support, LLC (f/k/a Pioneer Client Services, LLC); Strategic CS, LLC; Strategic FS Buffalo, LLC; Strategic NYC, LLC;

[12] *See* 15 U.S.C. § 6103 (providing that a State "may bring a civil action on behalf of its residents . . . to enjoin such telemarketing, to enforce compliance with such rule of the Commission, to obtain damages, restitution, or other compensation on behalf of residents of such State, or to obtain such further and other relief as the court may deem appropriate.")

BCF Capital, LLC; T Fin, LLC; Versara Lending, LLC; and Strategic Consulting, LLC.[13] SFS's principal offices are located at 115 Lawrence Bell Drive, Buffalo, NY 14221 and 711 Third Avenue, 6th Floor, New York, NY 10017.[14]

SFS owns and controls various Client Services Subsidiaries that carry out many of the tasks that Façade Firms promise to handle. The Client Services Subsidiaries include the entities listed in the left column of the table below.[15] SFS also acts through and hides behind numerous Façade Firms, none of which are named as parties to this lawsuit. Each Façade Firm corresponds to one of the Client Services Subsidiaries.[16] The Façade Firms include the entities listed in the right column of the table.[17]

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[13] Declaration of Timothy Hanson ("Hanson Declaration") ¶ 11; Declaration of Theresa Ridder ("Ridder Declaration") ¶ 11.
[14] Ridder Declaration ¶ 11(e)-(g).
[15] *Id.* ¶ 14.
[16] *Id.*
[17] *Id.* Although Plaintiffs have taken every possible step to ascertain the correct names of the entities listed in the table, it is possible that some of the names in the table are not accurate.

SFS's Client Services Subsidiaries	Façade Firms
CS 1 PAAS Services, LLC, f/k/a Anchor Client Services, LLC	Anchor Law Firm PLLC
Bedrock Client Services, LLC	A. Florio & Associates, PLLC, d/b/a Bedrock Legal
Boulder Client Services, LLC	Boulder Legal Group, LLC
Canyon Client Services, LLC	JMS Industries, LLC, d/b/a Canyon Legal Group, LLC
Carolina Client Services, LLC	Daniel Rufty Legal PLLC, d/b/a Carolina Legal Services
Great Lakes Client Services, LLC	Great Lakes Law Firm, LLC
Guidestone Client Services, LLC	The Brian A. Moore Law Firm, LLC, d/b/a Guidestone Law Group, LLC
Harbor Client Services, LLC	Harbor Legal Group LLC, f/k/a The Atlas Law Group, LLC
Heartland Client Services, LLC	Henry Legal Group, PLLC, d/b/a Heartland Legal Group
CS 2 PAAS Services, LLC, f/k/a Monarch Client Services, LLC	Burnette Legal Group, LLC, d/b/a Monarch Legal Group
Newport Client Services, LLC	Greene Legal Group LLC, d/b/a Newport Legal Group
Northstar Client Services, LLC	Northstar Legal Group LLC
Option 1 Client Services, LLC	Gardner Legal LLC, d/b/a Option 1 Legal Group
Pioneer Client Services, LLC	Pioneer Law Firm, P.C., f/k/a John B Dougherty P.C.
Rockwell Client Services, LLC	Hodyno & Associates, PLLC, d/b/a Rockwell Legal Group
Royal Client Services, LLC	Royal Legal Group, LLC
Stonepoint Client Services, LLC	Donald Norris Associates PLLC, d/b/a Stonepoint Legal Group
CS 3 PAAS Services, LLC, f/k/a Summit Client Services, LLC	Wyolaw, LLC, d/b/a Summit Law Firm
Whitestone Client Services, LLC	The Sands Law Group, d/b/a Whitestone Legal

As described *infra*, SFS and the Client Services Subsidiaries operate as a common enterprise as they maintain officers and employees in common, operate under common control, share offices, and commingle funds.

2. The Individual Defendants

SFS was founded by Individual Defendant Ryan Sasson, among others.[18] Sasson currently serves as SFS's Chief Executive Officer.[19] As the CEO of SFS, Sasson coordinates with the Façade Firms to conceal Defendants' role in providing debt-relief services and controls the Client Services Subsidiaries that correspond to each Façade Firm. Sasson also bought or originally registered many Façade Firm websites.[20]

Individual Defendant Jason Blust runs the Façade Firm operations for SFS behind the scenes.[21] Specifically, Blust has exercised substantial control over and involvement in the establishment of the Façade Firms' business policies.[22] For instance, Blust recruited attorneys to help run, or serve as figureheads for, the Façade Firms, including at least one SFS employee who simultaneously serves as a member of multiple Façade Firms while working for SFS.[23] Blust also acts as a liaison between the Façade Firms and SFS.[24] When consumer complaints are escalated, Blust is often consulted about the resolution of the matter.[25]

[18] Declaration of Patrick Callahan ("Callahan Declaration") ¶ 8(a).
[19] *Id.*
[20] Ridder Declaration ¶ 18(a).
[21] Callahan Declaration ¶¶ 16-21; Ridder Declaration ¶¶ 19-20; Hanson Declaration ¶ 16.
[22] Callahan Declaration ¶¶ 16-21; Ridder Declaration ¶¶ 19-20; Hanson Declaration ¶ 16.
[23] Callahan Declaration ¶ 17.
[24] Callahan Declaration ¶¶ 17(c), 20.
[25] Ridder Declaration ¶ 20; Callahan Declaration ¶¶ 17(c), 20.

3. **The Relief Defendants**

In May 2017, Strategic Financial Solutions, LLC adopted Relief Defendant Strategic Employee Stock Ownership Plan (Strategic ESOP) and became the ESOP's sponsor.[26] In December 2017, the Strategic ESOP purchased all the shares of Strategic Family, Inc.'s common stock funded by Relief Defendant Strategic Employee Stock Ownership Trust (Strategic ESOT), thus becoming wholly employee owned.[27] The Strategic ESOT holds all the shares of SFS stock and possibly maintains funds held in trust, while the ESOP determines how the plan is administered, who participates in it, and who runs the day-to-day operations.[28]

Relief Defendants Daniel Blumkin and Albert Ian Behar are founders of SFS.[29] Relief Defendant Duke Enterprises, LLC is a corporation controlled by Ryan Sasson, Relief Defendant Twist Financial, LLC is a corporation controlled by Blumkin, and Relief Defendant Blaise Investments, LLC is a corporation controlled by Albert Ian Behar.[30] Relief Defendants Lit Def Strategies, LLC and Relialit, LLC are corporations controlled by Jason Blust.[31] Relief Defendant Donald J. Holmgren is the Trustee of the Blust Family Irrevocable Trust, and Relief Defendant Jaclyn Blust received money from the Blust Family Irrevocable Trust.[32] Defendants have funneled consumer funds from the Façade Firms, the Client Services Subsidiaries, and SFS to each of these Relief Defendants.

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[26] Callahan Declaration ¶ 12(a).
[27] *Id.* ¶ 12(b).
[28] *Id.*
[29] *Id.* ¶ 8(a).
[30] *Id.* ¶¶ 9-10; Ridder Declaration ¶ 12(b).
[31] Ridder Declaration ¶¶ 21-22, 26.
[32] Hanson Declaration ¶¶ 37-38.

III. STATEMENT OF FACTS

Strategic Financial Solutions, LLC is a limited liability company with a principal place of business located in New York that conducts business as a debt-relief firm and services consumers who often have a significant amount of unsecured debt.[33] All of the SFS entities maintain offices in Manhattan and Buffalo, NY.[34] Typically, debt-relief companies advise consumers to stop paying their unsecured creditors and instead deposit money into an account set up by the company for the purpose of attempting to settle the consumers' debts for less than what they actually owe. The debt-relief companies then contact the creditors and try to negotiate a lower payment to settle the debt. In some cases, creditors will agree to reduce the amount owed even after the creditors have charged off the debt. Debt-relief services like these are risky for consumers because, among other things, while the consumers are paying money into the account set up by the debt-relief company, the consumers' account balances with their creditors rise due to late fees and interest. Moreover, the consumers' credit reports will reflect non-payment and their credit scores will drop, and the consumers may be sued by their creditors for non-payment.

SFS's practices and programs regarding debt relief, as well as the entities through which it operates, are ever-changing,[35] likely as a means of evading the scrutiny of law enforcement agencies and regulators and avoiding negative online reviews that would dissuade consumers from enrolling. As explained below, recent consumer complaints suggest that SFS continues to use the Façade-Firm model to collect illegal fees from consumers, and other consumer complaints suggest that SFS is simultaneously using other models to collect illegal fees.[36]

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[33] Ridder Declaration ¶ 9.
[34] *Id.* ¶¶ 9(b), 11(e)-(g).
[35] *Id.* ¶¶ 54-57.
[36] *Id.*

Throughout the changes in SFS's business model, however, what has remained constant is its practice of billing fees before debt has been settled and charging fees that are untethered from the results it obtains for consumers. Therefore, Plaintiffs seek a TRO and emergency relief specifically based on and targeting those practices.

A. Overview of SFS's Façade Firm Debt-Relief Service Model

Through May 2023, at least, SFS sent deceptive solicitations to consumers, and SFS continues to collect advance fees in violation of the TSR. SFS attracted financially distressed consumers through techniques such as targeted mail solicitations suggesting that the consumers have been pre-approved for a debt-consolidation loan or may be eligible for such a loan.[37] Consumers then called SFS (presumably because the phone number on the mailer routed to SFS), and an SFS representative who was not an attorney gathered additional information from the consumer.[38] If the consumer agreed to enroll in the debt-relief service, then the representative assigned the consumer to one of the Façade Firms in SFS's attorney network.[39] The consumer's information was added to a retainer agreement under the firm's name.[40] SFS also advertised its services through a variety of web sites for the Façade Firms that SFS utilized in facilitating the scheme.[41]

After the consumer decided to enroll in the program, the SFS representative arranged for the consumer to meet with a third-party notary, who was not an employee of SFS, a Client Services Subsidiary, or a Façade Firm.[42] The consumer signed the enrollment documents in the

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[37] *Id.* ¶¶ 28-37; Callahan Declaration ¶ 27.
[38] Callahan Declaration ¶ 27.
[39] *Id.* ¶ 28.
[40] *Id.* ¶ 42.
[41] *Id.* ¶ 29.
[42] *Id.* ¶¶ 45-47.

presence of the notary.[43] Sometimes these meetings were in person; sometimes they occurred over the phone or virtually.[44] Many consumers were not given a copy of the contract that they signed.[45]

The notary meetings were formulaic, brief, and non-substantive. The notaries read to consumers from a script prepared by SFS, and SFS instructed consumers to direct questions to SFS via phone rather than asking notaries.[46] One consumer described the notary process as a "flyby presentation" and said the notary, who made clear he could not explain things because he was just a notary and not an employee, seemed "like a robot going through a script."[47]

Communications between SFS executives acknowledge the cursory and non-substantive nature of the notary meetings, which both a Senior Vice President of Sales at SFS and Senior Director of Negotiations described as "pencil-whip[ping]."[48] The Senior Vice President also noted that "we don't give 'em a copy of the contract when they sign"[49] and the Senior Director of Negotiations described the presentation as "fluffy" and "almost like CYA on our end."[50]

The contracts between the notary companies and SFS or Façade Firms required individual notaries to provide consumers an "in-person presentation," but the contracts did not require the notary to read the presentation prior to the meeting or otherwise have any substantive knowledge of SFS's debt-relief services.[51] Nor did the contracts require the individual notaries to

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[43] Declaration of E.S. (E.S. Declaration) ¶ 6; Declaration of P.G. (P.G. Declaration) ¶ 6.
[44] Callahan Declaration ¶ 60.
[45] Callahan Declaration ¶¶ 15(c), 58.
[46] Callahan Declaration ¶¶ 52-53.
[47] E.S. Declaration ¶¶ 7-8.
[48] Callahan Declaration ¶ 56; Ridder Declaration ¶ 73.
[49] *Id.*
[50] *Id.*
[51] Callahan Declaration ¶ 48.

be able to meaningfully interact with consumers on behalf of the company about the product.[52] Furthermore, as explained in greater detail in Part V.A.4 below, one of the notaries noted that he was not there to give consumers advice, but to get consumers to sign documents.[53] He said that that if consumers posed questions, he was told to have the consumer contact one of Defendants' sales representatives.[54]

After a consumer signed the retainer agreement with the notary, an attorney from the assigned Façade Firm contacted the consumer and read a short script welcoming the consumer to the program.[55] After this preliminary "welcome call," consumers who tried to reach their assigned attorney generally communicated solely with and through SFS non-attorney employees.[56]

At the same time, behind the scenes, SFS presumably also assigned the consumer to a Client Services Subsidiary owned by SFS that corresponded to and often used a name similar to the Façade Firm.[57] For example, Bedrock Legal Group, Anchor Law Firm, and Monarch Legal Group are Façade Firms, and Bedrock Client Services, Anchor Client Services, and Monarch Client Services are Client Services Subsidiaries owned by SFS.[58] The Client Services Subsidiaries employed non-attorney negotiators who were tasked with negotiating settlements on behalf of the consumers – if these negotiations happened at all.[59] When SFS employees answered phone calls from consumers who were enrolled in the service, a computer program told the SFS

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[52] *Id.*; *see also id.* ¶¶ 50-52, 56.
[53] Ridder Declaration ¶ 75; S.P. Investigative Interview 15:1-10.
[54] Ridder Declaration ¶ 75; S.P. Investigative Interview 15:9-11, 32:7-33:14.
[55] Callahan Declaration ¶ 61.
[56] P.G. Declaration ¶ 9; Declaration of S.M. (S.M. Declaration) ¶ 8; Callahan Declaration ¶¶ 62, 65.
[57] Ridder Declaration ¶ 14; *see also* Table *supra* at 9.
[58] Ridder Declaration ¶ 14.
[59] Callahan Declaration ¶¶ 63-65.

employee the name of the Façade Firm to which the consumer was assigned, and the SFS employee used that information to answer the phone using the name of the assigned Façade Firm.[60]

Once the consumers signed the enrollment documents, an SFS representative instructed the consumers to stop paying their debts, and the consumers were told that the Façade Firm would contact their creditors on their behalf.[61] But when consumers stopped paying their debts, their creditors added interest and fees to their account balances.[62] And sometimes creditors filed debt-collection lawsuits against these consumers.[63] In addition, some consumers stated that their creditors were never contacted by the Façade Firm or anyone else connected with the debt-relief service.[64]

B. Defendants immediately collect fees before any debts are settled, and those fees ultimately bear no relationship to any settlement achieved.

After signing the enrollment documents, consumers were required to immediately begin making monthly deposits into an escrow account managed by payment processing companies such as Global Client Solutions, LLC (GCS) or Account Management Systems, Inc. formerly known as Reliant Account Management, LLC (RAM).[65] Defendants immediately began withdrawing fees on a monthly basis from the GCS and RAM accounts without regard to whether SFS or the Façade Firm had settled any of the consumer's debts.[66] The consumers'

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[60] Callahan Declaration ¶ 15(c).
[61] P.G. Declaration ¶ 8; Declaration of P.K. (P.K. Declaration) ¶¶ 15, 27; Declaration of S.K. (S.K. Declaration) ¶ 8.
[62] P.K. Declaration ¶ 29; Declaration of D.K. (D.K. Declaration) ¶ 9.
[63] P.K. Declaration ¶ 28; Declaration of S.E. (S.E. Declaration) ¶ 9; S.M. Declaration ¶ 9.
[64] Declaration of K.L. (K.L. Declaration) ¶ 23; Declaration of E.K. (E.K. Declaration) ¶¶ 12-13.
[65] *See* Callahan Declaration ¶ 15(c).
[66] E.S. Declaration at 60-67 (attachments); P.G. Declaration at 50-54 (attachments); Callahan Declaration ¶ 67.

contracts with the Façade Firms contain a payment schedule that shows the amounts that will be deducted, the dates the deductions will be made, and what fees the payments cover. For instance, one consumer, P.G., entered into the contract with her Façade Firm, Carolina Legal Services, on June 26, 2020, and enrolled debts totaling $44,208.00 into the program.[67] Beginning on July 5, 2020, P.G. made a deposit every two weeks in the amount of $438.34 into her escrow account.[68] The payment schedule noted that for the first 18 months, a bi-weekly fee of $233.33 would be collected from the escrow account as a "service cost."[69] The service cost was calculated based on the total amount of debt initially enrolled in the program.[70] The payment schedule also states that (a) for the first 9 months, a bi-weekly "retainer" fee of $50-75 would be collected from the escrow account; and (b) for the entire 36 months of the contract, a bi-weekly "legal administrative" fee of $44.50 and a monthly "banking" fee of $10.95 would be collected from the escrow account.[71] These fees consumed the bulk of P.G.'s monthly deposits. For example, when P.G. made her first deposit of $438.34, only $74.56 was left in her escrow account after the fees were deducted.[72] The contract did not provide for any contingencies or variance based upon outcomes obtained by Defendants; instead, P.G. was charged the flat-rate fees monthly regardless of whether any debts were resolved and regardless of the amount of savings obtained (if any).[73] During the entire period that P.G. was enrolled in the debt-relief service, roughly 64% of the funds she paid into her account were deducted as fees and only 6.5% of the funds were

[67] P.G. Declaration at 29, 31 (attachments).
[68] *Id.* at 31, 50-54.
[69] *Id.* at 31.
[70] For P.G., the service cost was 19% of the debt enrolled in the program. *Id.*
[71] *Id.*
[72] *Id*. at 50-54.
[73] P.G. Declaration at 29, 31; Callahan Declaration ¶ 69(c).

paid to creditors.[74] (The remainder was ultimately refunded when the attorney who she believed was representing her in the debt-relief service had his law license suspended.[75])

Similarly, E.S., was enrolled in the debt-relief service between approximately May 2020 and May 2022.[76] The payment schedule in E.S.'s contract provided that a monthly "service" fee of $256 would be charged for the first twenty-two months that she was enrolled in the debt-relief service.[77] As in the example above, this fee was based on the total amount of the debt initially enrolled in the program, adding up to 17% of the total debt.[78] The contract did not provide for any contingencies or variance based upon outcomes obtained by Defendants or the Façade Firms; instead, E.S. was charged the flat-rate service fee monthly regardless of whether the companies resolved any of her debts or negotiated a debt reduction on her behalf.[79] E.S.'s account statements show that she deposited approximately $2,114 into her escrow account during the first six months she was enrolled in the program, and neither SFS, a Façade Firm, nor any other entity made a settlement payment to E.S.'s creditors during these first six months.[80] By the end of this first six-month period, however, approximately 91% of the funds she had deposited into her account (roughly $1,900) had been withdrawn as fees.[81] During the entire period E.S. was enrolled in the debt-relief service, approximately 84% of the funds she deposited into her account were deducted as fees, and only 16% of the funds were paid to creditors.[82]

[74] P.G. Declaration ¶¶ 50-54; Callahan Declaration ¶ 71.
[75] P.G. Declaration ¶¶ 11-12; Callahan Declaration ¶ 71.
[76] E.S. Declaration ¶ 11.
[77] E.S. Declaration at 48 (attachments).
[78] E.S. Declaration at 48 (attachments); Callahan Declaration ¶ 72.
[79] E.S. Declaration at 48 (attachments); Callahan Declaration ¶ 72.
[80] E.S. Declaration at 62-66 (attachments); Callahan Declaration ¶ 73.
[81] E.S. Declaration at 62-66 (attachments); Callahan Declaration ¶ 73.
[82] E.S. Declaration at 60-67 (attachments); Callahan Declaration ¶ 73.

Defendants charge consumers exorbitant fees in connection with the debt-relief service. Furthermore, until at least 2021, the fees were either flat rate (administrative and retainer fees) or based on a percentage of the total amount of "enrolled debt" (service fees) that the consumer wanted settled; the fees bore no relation to individual debt settlements, if any, that Defendants negotiated.[83] In addition, because so many consumers were enrolled in the service, SFS collected a substantial amount of total fees, even when considering only those fees that were collected prior to obtaining any outcomes for consumers.

Between approximately January 1, 2016 and March 15, 2021, data obtained from RAM for approximately 34,000 consumers enrolled in SFS's program shows that these consumers collectively paid over $100,000,000 in fees to Defendants and the Façade Firms (including retainer fees, legal admin fees, and service fees) *before* any debt-relief payments were made to creditors.[84] Over $84,000,000 of those fees went directly to the Client Services Subsidiaries. This figure does not account for fees collected from consumers with accounts managed by GCS, and it also does not include fees that were collected after SFS or the Façade Firm made at least one debt-relief payment to a creditor on the consumer's behalf.[85] Evidence demonstrates that a large portion of the fees collected through RAM and GCS was ultimately funneled to SFS, the Client Services Subsidiaries, or the Individual Defendants.[86]

C. Defendants' debt-relief scheme is constantly evolving but remains unlawful.

As noted above, SFS's practices and programs regarding debt relief, as well as the entities through which it operates, are constantly shifting. Nevertheless, recent consumer

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[83] Callahan Declaration ¶ 73.
[84] Declaration of Joanna Cohen ("Cohen Declaration") ¶¶ 5, 11, 28.
[85] *Id.* ¶¶ 9, 11, 21.
[86] Hanson Declaration ¶¶ 20-39.

complaints suggest that SFS, working through the façade firms, continues to collect substantial fees (a) before resolving any debt for consumers, and (b) that are based on a percentage of the enrolled debt rather than on results obtained.[87] These complaints also suggest that Strategic Consulting, LLC is working directly with consumers and performing services for the new façade firms.[88] In 2023 alone, there are 125 consumer complaints in the FTC's Sentinel database against SFS-affiliated Façade Firms.[89] These consumers are being harmed by Defendants' unlawful conduct. For example, one consumer complained that he was charged nearly $10,000 in advance fees between July 2020 and June 2023, and none of his debts were settled.[90] Defendants were still charging C.E. fees in September 2023.[91] C.E.'s and other consumers' claimed experiences are consistent with SFS's advance-fee business model and strongly suggest that SFS continues to violate the TSR.

IV. ARGUMENTS & AUTHORITIES

In the Second Circuit, in order to grant preliminary injunctive relief, the district court must: (1) determine that Plaintiffs have a "fair and tenable chance of ultimate success on the merits" and (2) balance the equities.[92] When the Bureau and States act to protect consumers and

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[87] Ridder Declaration ¶¶ 54-57.
[88] *Id.* ¶ 57.
[89] *Id.* ¶ 54.
[90] *Id.* ¶ 55(a).
[91] C.E. Declaration at 129 (attachments).
[92] *FTC v. Verity Int'l, Ltd.*, 124 F. Supp. 2d 193, 199 (S.D.N.Y. 2000) (citing *United States v. Sun & Sand Imps., Ltd.*, 725 F.2d 184, 188 (2d Cir. 1984)); *People v. Apple Health & Sports Clubs, Ltd.*, 571 N.Y.S.2d 23, 24 (N.Y. App. Div. 1st Dept. 1991) ("since the legislature authorizes injunctive relief for fraudulent and illegal conduct such as that which occurred here, proof of irreparable injury is unnecessary) *aff'd at* 80 N.Y.2d 803; *see also FTC v. Cuban Exch., Inc.*, No. 12-cv-5890, 2012 WL 6800794, at *1, 3 (E.D.N.Y Dec. 19, 2012) (recommending FTC's application for TRO be granted in a case where FTC was alleging claims under the Telemarketing Act); *SEC v. Morgan*, No. 1:19-CV-00661 EAW, 2019 WL 2385395, at *4 (W.D.N.Y. June 5, 2019) (quotation omitted) ("In the Second Circuit, the standard for a temporary restraining order is the same as for a preliminary injunction").

prevent violations of federal law, they proceed "not as an ordinary litigant, but as a statutory guardian charged with safeguarding the public interest."[93] Thus, "[w]here Congress expressly provides for Government enforcement of a statute by way of injunction, and the Government has satisfied the statutory conditions of the statute, irreparable harm to the public is presumed."[94] The TCFPA specifically authorizes the Bureau and States to enjoin unlawful actions and enforce compliance with the TSR.[95] For this reason, irreparable harm is presumed when the Plaintiffs bring a consumer protection case like this one.[96]

A. Plaintiffs will likely prevail on their claims under the TSR.

Here, Plaintiffs have gathered extensive evidence that makes it likely they will prevail on the merits in demonstrating that Defendants are charging consumers both advance fees generally (Count 1) and advance fees after a settlement of some but not all debts, where the fees that are charged are not proportional to the amount of debt actually settled or based on a fixed percentage of the amount saved (Count 2) in violation of the TSR.

The TSR prohibits abusive telemarketing acts or practices, including charging advance fees.[97] Specifically, the regulation states that

> [i]t is an abusive telemarketing act or practice and a violation of [the TSR] for any seller or telemarketer to . . .

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[93] *See SEC v. Mgmt. Dynamics, Inc.*, 515 F.2d 801, 808-09 (2d Cir. 1975); 12 U.S.C. § 5564(a) (empowering the Bureau to seek permanent or temporary injunctive relief against "any person [who] violates a Federal consumer financial law").
[94] *United States v. Schmitt*, 734 F. Supp. 1035, 1049 (E.D.N.Y. 1990).
[95] 15 U.S.C. § 6103.
[96] *Verity Int'l*, 124 F. Supp. 2d at 199; *see also United States v. Diapulse Corp. of Am.*, 457 F.2d 25, 28 (2d Cir. 1972) ("The passage of the statute is, in a sense, an implied finding that violations will harm the public and ought, if necessary, be restrained."); *see also Mgmt. Dynamics, Inc.*, 515 F.2d at 808.
[97] 16 C.F.R. § 310.4.

> (i) Request[] or receiv[e] payment of any fee or consideration for any debt relief service[98] until and unless:
>
> > (A) The seller or telemarketer has renegotiated, settled, reduced, or otherwise altered the terms of at least one debt pursuant to a settlement agreement, debt management plan, or other such valid contractual agreement executed by the customer; [and]
> >
> > (B) The customer has made at least one payment pursuant to [the] agreement, debt management plan, or other valid contractual agreement between the customer and the creditor or debt collector; . . .[99]

In addition, the TSR requires that if debts are being settled individually—as Defendants purport to do—"any fee" charged must (1) "bear[] the same proportional relationship to the total fee from for renegotiating, settling, reducing, or altering the terms of the consumer's entire debt balance as the individual debt amount [at the time of enrollment] bears to the entire debt amount [at the time of enrollment]" or (2) be "a percentage of the amount saved as a result of the renegotiation, settlement, reduction, or alteration."[100] Accordingly, to prevail in this action, Plaintiffs need to show that Defendants: (i) are sellers or telemarketers subject to the TSR; and (ii) they "request or receive payment of any fee or consideration for any debt relief service" either (a) before renegotiating, settling, reducing, or otherwise altering the terms of at least one debt ("advance fees"), or (b) that is not tethered to the percentage of the enrolled debt that is settled or reduced, or the amount saved ("unlawful fees"), as a result of individual debt settlements. To the extent Plaintiffs make such a showing, Individual Defendant Sasson is liable

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[98] The TSR defines a debt relief service as "any program or service represented, directly or by implication, to renegotiate, settle, or in any way alter the terms of payment or other terms of the debt between a person and one or more unsecured creditors or debt collectors, including, but not limited to, a reduction in the balance, interest rate, or fees owed by a person to an unsecured creditor or debt collector." *Id*. § 310.2(o).

[99] *Id*. § 310.4(a)(5)(i).

[100] *Id*. § 310.4(a)(5)(i)(C).

if Plaintiffs establish that he controlled a company that violated the TSR as described above, and that he knew or was recklessly indifferent to the company's status as a telemarketer or seller under the TSR and the company's request or receipt of advance fees or unlawful fees.[101] In addition, Individual Defendants Sasson and Blust are liable if Plaintiffs establish that they substantially assisted the violations of others. The evidence provided by Plaintiffs satisfies all of the above elements.

1. Defendants SFS, the Client Services Subsidiaries, and the non-party Façade Firms are sellers or telemarketers as defined by the TSR.

As explained above, pursuant to a campaign to induce consumers to purchase its services, SFS initiates and receives interstate telephone calls to and from consumers. During these calls, SFS offers to renegotiate, settle, or alter the terms of payment or other terms of the debt between a person and one or more unsecured creditors or debt collectors. Thus, SFS is a "telemarketer" offering "debt-relief services" under the TSR.[102] In addition, SFS, its Client Services Subsidiaries, and the non-party Façade Firms provide, offer to provide, or arrange for others to provide debt-relief services to consumers in exchange for consideration. Thus, SFS, its Client Services Subsidiaries, and the non-party Façade Firms are also "sellers" offering "debt-relief services" under the TSR.[103]

2. Defendants SFS and the Client Services Subsidiaries request and receive advance fees (Count 1).

The evidence clearly demonstrates that Defendants SFS and the Client Services Subsidiaries charge monthly fees *immediately* after consumers enroll in the debt-relief service,

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[101] *People v. Debt Resolve, Inc.*, 387 F. Supp. 3d 358, 368 (S.D.N.Y. July 3, 2019); *Consumer Health Benefits Ass'n*, 2012 WL 1890242, at *5; *Tax Club, Inc.*, 994 F. Supp. 2d at 471.
[102] *Id*. § 310.2(o), (ff).
[103] *Id*. § 310.2(o), (dd).

regardless of whether and when a consumer's enrolled debts are reduced, in violation of the TSR.[104] Indeed, the fee structure was front-loaded so that Defendants and the Façade Firms took a larger percentage of fees early in the program. Some consumers paid fees for many months and yet Defendants and the Façade Firms never settled any of their debts. And even for consumers who saw one or more of their debts renegotiated or settled, they typically had to wait 7-9 months and pay thousands of dollars in fees before Defendants or the Façade Firms obtained such a resolution.[105]

The timing of such fees is beyond dispute. Indeed, the contract documents that the consumers signed to enroll in Defendants' debt-relief services explicitly state that consumers will be charged a service fee immediately after enrolling in the program, and this fee is based on a percentage of the total amount of debt enrolled. Consumers are also charged additional fixed fees, such as a retainer fee, a legal administration fee, and a banking fee, on a recurring basis beginning immediately upon entering the debt-services program, regardless of whether any settlements have been reached.[106]

A review of individual consumers' account statements is illustrative. E.S. enrolled in Defendants' debt-relief service between approximately May 2020 and May 2022. Her account statements show that the first settlement payment was made to a creditor approximately six months after she started making deposits into her escrow account.[107] At that point, she had deposited approximately $2,114 into her escrow account. Before any of her debts were settled

[104] *Id.* § 310.4(a)(5)(i)(A), (B).
[105] *See* Callahan Declaration ¶ 15(c) and Exhibit 10, cited therein. (stating that SFS withdrew monthly fees from escrow accounts "as soon as enrollment documents [were] signed, [and] before Strategic settles any debt for the consumer" and explaining that "[m]any clients do not receive their first settlement until they have been in the program for 7-9 months or so").
[106] *See, e.g.*, P.K. Declaration at 33 (attachments).
[107] E.S. Declaration at 60-67 (attachments).

and she made her first settlement payment, however, approximately 91% of the funds she had deposited (roughly $1,900) had been deducted as fees.[108] Furthermore, the payment schedule that E.S. received when she signed her contract noted that a service fee of $256 would be charged on a monthly basis for the first 22 months, regardless of whether Defendants had yet renegotiated, reduced, or settled any of her enrolled debts.[109] Additional fees were also collected monthly. Similarly, P.G. was enrolled in Defendants' debt-relief service between approximately June 2020 and May 2021. She deposited approximately $7,452 into her account before the first settlement payment was made to a creditor, approximately nine months after she enrolled in the program.[110] Before she made her first settlement payment, however, 68% of the funds P.G. had deposited into her account (roughly $5000) had been deducted to cover fees.[111] Furthermore, P.G.'s payment schedule was similar to E.S.'s: it stated that a service fee of $233 would be charged on a biweekly basis for the first 36 months, regardless of whether Defendants had yet renegotiated, reduced, or settled any of her enrolled debt.[112] Additional fees were also collected monthly.[113]

These consumers are just a small sample of the thousands of consumers Defendants have preyed upon. A sample of payment data from RAM for approximately 34,000 consumers enrolled in SFS's program between approximately January 1, 2016 and March 15, 2021, shows that this subset of consumers collectively paid over $104,000,000 in fees to Defendants and the Façade Firms (including service fees, retainer fees, and legal admin fees) *before* any debt-relief payments were made to creditors.[114] This figure does *not* account for fees collected from

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[108] *Id.*
[109] *Id.* at 48 (attachments).
[110] P.G. Declaration ¶ 10 & at 50-54 (attachments).
[111] *Id.*
[112] P.G. Declaration at 31-32 (attachments).
[113] *Id.*
[114] Cohen Declaration ¶ 28.

consumers with accounts managed by GCS, nor does it include fees that were collected after a consumer had made at least one debt-relief payment to a creditor. As explained below, a large portion of the fees collected through RAM and GCS was ultimately funneled to SFS, the Client Services Subsidiaries, or the Individual Defendants, and then ultimately to the Relief Defendants.

3. Defendants SFS and the Client Services Subsidiaries request and receive unlawful fees (Count 2).

In addition to charging advance fees, the fee amounts SFS and the Client Services Subsidiaries charge is not tethered to any results they may obtain, which is an independent violation of the TSR.[115] Indeed, the contracts explicitly provide that the service fee is a percentage of the *enrolled* debt, without any connection to the percentage of debt that Defendants are able to settle or the amount of savings they obtain for the consumer.

A review of the account statements of and contracts signed by the same consumers discussed in the preceding section illustrates this violation as well. The payment schedules E.S. and P.G. received when they signed their contracts explained that a fee of $256 or $233 (respectively) would be charged on a monthly basis for the first 22 months (E.S) or 36 months (P.G.) that these consumers were enrolled in the debt-relief service.[116] Although it was understood that Defendants would be attempting to resolve the consumers' enrolled debts individually, their contracts did not provide for any contingencies or variance based upon outcomes obtained by Defendants or the Façade Firms.[117] During the entire period E.S. was enrolled in the debt-relief service, Defendants resolved only $1,543.33 (less than 5%) of her total enrolled debts. Yet they collected $5,128.74 in service fees (representing over 90% of the quoted

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[115] 16 C.F.R. § 310.4(a)(5)(i)(C).
[116] E.S. Declaration at 48 (attachments); P.G. Declaration at 31-32 (attachments).
[117] E.S. Declaration at 48 (attachments); P.G. Declaration at 31-32; Callahan Declaration ¶ 72.

fee) and $1,073.00 in retainer fees (representing approximately 90% of the quoted fee). Indeed, approximately 84% of the funds she deposited into her account were deducted as fees and only 16% of the funds were paid to creditors.[118] Similarly, during the entire period P.G. was enrolled in the debt-relief service, Defendants resolved only $544.53 (approximately 1%) of her total enrolled debts. Yet they collected $3,733.12 in service fees (representing over 94% of the fee owed under the contract) and $800.00 in retainer fees (representing 80% of the fee owed under the contract). Roughly 64% of the funds she deposited into her account were deducted as fees and only 6.5% of the funds were paid to creditors.[119] Thus, for both E.S. and P.G., the fees charged bore no relationship to either (1) the proportion of the total enrolled debt that had been resolved, or (2) the amount saved for the consumer as a result of the renegotiation, settlement, reduction, or alteration.[120]

Furthermore, the timing of the fees charged to E.S. and P.G. as well as the timing of fees in the RAM payment data sample discussed above is further evidence of the unlawful nature of the fees. Indeed, where Defendants requested or received fees before they had obtained any results for the consumers (as was the case for all $84,000,000 of fees highlighted above), such fees inherently cannot be tethered to the nature of any results (*i.e.*, percentage of enrolled debt settled or amount of savings for consumers), as required by 16 C.F.R. § 310.4(a)(5)(i)(C).

4. The TSR's prohibition on advance and unlawful fees applies, despite SFS's use of third-party notaries to obtain signatures from consumers.

The fact that Defendants request or receive advance fees and unlawful fees cannot reasonably be disputed. To avoid TSR liability, Defendants may contend that their debt-relief

[118] E.S. Declaration at 60-67 (attachments).
[119] P.G. Declaration at 50-54 (attachments). The remainder was ultimately refunded when the attorney who she believed was representing her in the debt-relief service had his law license suspended. P.G. Declaration ¶¶ 11-12.
[120] *See* P.G. Declaration at 31-32; E.S. Declaration at 48 (attachments).

services are exempt from the TSR's prohibitions on advance fees and unlawful fees under 16 C.F.R. § 310.6(b)(3). Notably, establishing that Defendants' practices and conduct satisfy the exemption's requirements is Defendants' burden. *United States v. Dish Network LLC*, 75 F. Supp. 3d 916, 937 (C.D. Ill. 2014). Plaintiffs raise the issue here for the Court's awareness, however, in light of the *ex parte* nature of this application.

Specifically, Defendants may rely on section 310.6(b)(3), which provides in relevant part:

> (b) The following acts or practices are exempt from this Rule:
>
> > (3) Telephone calls in which the sale of goods or services or charitable solicitation is not completed, and payment or authorization of payment is not required, until after a face-to-face sales or donation presentation by the seller . . . .

According to long-standing guidance from the FTC addressing this exemption:

> [t]he key to the face-to-face exemption is the direct, substantive and personal contact between the consumer and the seller. The goal of the TSR is to protect consumers against deceptive or abusive practices that can arise when a consumer has no direct contact with an invisible and anonymous seller other than the telephone sales call. A face-to-face meeting provides the consumer with more information about – and direct contact with – the seller and helps limit potential problems the TSR is designed to remedy.[121]

Similarly, a Utah district court recently considered the meaning of the TSR's face-to-face exemption, deciding whether the presentation "must be the same as the subject of the telemarketing call" or whether "any face-to-face presentation by the seller is sufficient, regardless of subject."[122] In addressing that question, the court noted that the exemption's use of "the word 'presentation' indicates that more than some type of de minimis or ancillary face-to-

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[121] Federal Trade Commission, Complying with the Telemarketing Sales Rule, https://www.ftc.gov/business-guidance/resources/complying-telemarketing-sales-rule (last visited Jan. 6, 2024).
[122] *FTC v. Nudge LLC*, No. 2:19-cv-867, 2022 WL 2132695, at *37 (D. Utah June 14, 2022).

face contact or communication between the consumer and seller is required."[123] The court further explained that "a welcome letter handed out at some events referenc[ing] the opportunity to participate" in the program in question did not satisfy the face-to-face exemption because it did not constitute a "presentation" as required by the exemption.[124]

Here, the attached evidence shows that Defendants' practices do not satisfy the TSR's face-to-face exemption for multiple reasons. First, the exemption only applies if the requisite presentation is done "by the seller," but the notaries do not meet that definition. Under the TSR, a "seller" is one who "provides, offers to provide, or arranges for others to provide goods or services to the customer in exchange for consideration."[125] But the notaries were offering nothing to the *consumer* in exchange for consideration – rather their customers were the Defendants. Indeed, the notaries who participated in face-to-face meetings with consumers were not employees of SFS, the Client Services Subsidiaries, or the Façade Firms, but rather were independent contractors paid by third-party signing companies that contracted with the Façade Firms.[126] By the time consumers met with the notary, they had already been "sold" the program via SFS employees over the phone. The notary's job was just to get the consumer's signature.[127]

Second, the notaries' meetings with consumers were also insufficient to trigger the exemption, as they were brief and not substantive. While "the key to the face-to-face exemption is the direct, substantive and personal contact" via a "presentation,"[128] statements by senior SFS

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[123] *Id.*
[124] *Id.* at *39.
[125] 16 C.F.R. § 310.2(dd).
[126] Callahan ¶ 47; Ridder Declaration ¶ 75; S.P. Investigative Interview 13:3-7.
[127] Ridder Declaration ¶ 75.
[128] Federal Trade Commission, Complying with the Telemarketing Sales Rule, https://www.ftc.gov/business-guidance/resources/complying-telemarketing-sales-rule (last visited Sept. 18, 2023); *Nudge*, 2022 WL 2132695, at *37.

executives, consumers, and notaries who handled signings for Defendants, as well as the notaries' contracts, all show that the meetings were perfunctory, superficial, and insufficient.

SFS executives acknowledged that the meetings with the notaries were cursory. According to a Senior Vice President of Sales at SFS:

> [A]ll we do is just get these people to just kind of pencil whip and sign [the contract] . . . . It doesn't seem like it's as meaty as we make it sound. . . I didn't realize we don't give 'em a copy of the contract when they sign.[129]

In the same conversation, a Senior Director of Negotiations replied:

> I agree with you, it's almost like you're pencil-whipped into signing that day because since you already came all the way here, you know just let's get through this – and I think they just made it more fluffy you know as far as the um presentation, if you will, and they sign the presentation – so I mean it's almost like a CYA on our end.[130]

Furthermore, the contracts also did not require the notaries to be able to answer any questions posed by the consumers. In practice, the notary companies regularly called SFS if a consumer had questions or concerns.[131] Consumers similarly confirm that notaries did not answer their direct questions and instead often advised the consumer to call the sales representative (an employee of SFS or the Client Services Subsidiary) with whom the consumer had previously spoken or referred the consumer to the documents they were signing.[132] One notary, S.P., testified that he had no contacts with the Façade Firm.[133] Rather, his only contact was with "the signing firm that contacted me."[134] The presentation that S.P. provided to consumers indicated that he was a representative of a Façade Firm, which he did not agree

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[129] Ridder Declaration ¶ 73; Callahan Declaration ¶ 56.
[130] Ridder Declaration ¶ 73; Callahan Declaration ¶ 56.
[131] Callahan Declaration ¶ 51.
[132] Callahan Declaration ¶ 57; S.E. Declaration ¶ 5; E.K. Declaration ¶ 8; M.S. Declaration ¶ 5.
[133] Ridder Declaration at ¶ 75 (referring to exhibit 25); S.P. Investigative Interview 10:16-23.
[134] Ridder Declaration at ¶ 75; S.P. Investigative Interview 10:19-21.

with.[135] When he questioned that representation, he was told that was the format that the Façade Firms use.[136] S.P. was regularly instructed that he was not there to give consumers advice.[137] Rather he was there to "make sure they sign what they do and explain the documents, quote, to the best of my ability."[138] If consumers have questions, S.P. was instructed to have the consumer call the Façade Firm.[139]

Finally, the notaries' contracts simply required them to schedule appointments and oversee the execution of documents, including "getting all appropriate signatures from the client."[140] Furthermore, at least some contracts between the signing companies and the Façade Firms did not require the notaries to have any substantive knowledge about the product or to be able to meaningfully interact with consumers on behalf of the company about the product. This is consistent with statements by consumers: one consumer described the notary process as a "flyby presentation" and said that the notary, who made clear he could not explain things because he was just a notary and not an employee, seemed "like a robot going through a script."[141] Indeed, some contracts paid the notaries more for the meeting if the documents were fully signed, incentivizing the notaries to obtain the signatures.

These brief, flyby meetings do not qualify for the exemption.[142] Publicly available guidance from the FTC explains that companies "can't get around the [TSR] by hiring

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[135] *Id.* at 7:8-13.
[136] *Id.*
[137] *Id.* at 15:7-8.
[138] *Id.* at 15:9-11.
[139] *Id.* at 33:2-13.
[140] Callahan Declaration ¶ 48.
[141] E.S. Declaration ¶ 7.
[142] FTC, *Debt Relief Services and the Telemarketing Sales Rule: What People Are Asking*, at https://www.ftc.gov/system/files/documents/plain-language/bus73-debt-relief-services-telemarketing-sales-rule-what-people-are-asking.pdf (last visited Jan. 6, 2024).

representatives just to hold cursory pre-enrollment meetings with potential customers."[143] That is exactly what Defendants sought to do here, except using independent contractors assigned by a third party. The only direct or substantive interaction consumers could have with anyone from SFS before they signed the contract was by phone.

In sum, the evidence submitted by Plaintiffs clearly shows that Defendants were charging advance and unlawful fees to consumers enrolled in the program in violation of the TSR, and no exemption applies to this conduct. Thus, Plaintiffs will likely prevail on their claims under the TSR.[144]

B. As members of a common enterprise, SFS and the Client Services Subsidiaries are jointly and severally liable for the TSR violations.

SFS and the Client Services Subsidiaries are jointly and severally liable for the unlawful conduct at issue here because they have operated as a common enterprise.[145] When a common enterprise exists, "each entity within a set of interrelated companies may be held jointly and severally liable for the action of other entities that are part of the group."[146] When determining whether a common enterprise exists between two or more defendants, courts consider five non-

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[143] *Id.*

[144] *Cf. Bureau of Consumer Financial Protection v. Progrexion Marketing, Inc.*, No. 2:19-cv-00298-BSJ, 2023 WL 2548008, at *4-6 (D. Utah Mar. 10, 2023) (concluding that defendants had violated the provisions of the TSR prohibiting advance fees in context of credit repair services when they charged clients fees on a monthly basis "without waiting six months and without providing a consumer report at the six-month mark showing results have been achieved").

[145] *FTC v. Tax Club, Inc.*, 994 F. Supp. 2d 461, 469 (S.D.N.Y. 2014) (explaining that "[c]orporate entities that operate in a common enterprise may be held liable for one another's deceptive acts and practices") (citation and quotations omitted); *FTC v. Consumer Health Benefits Ass'n*, No. 10-cv-3551, 2011 WL 3652248, at *5 (E.D.N.Y. Aug. 18, 2011).

[146] *See CFPB v. NDG Fin. Corp.*, No. 15-cv-5211, 2016 WL 7188792, at *16-17 (S.D.N.Y Dec. 2, 2016) (internal quotations and citation omitted) (concluding that plaintiffs had alleged sufficient facts to establish common enterprise liability at pleading stage when plaintiffs had alleged facts that addressed some, but not all, of the five nondispositive factors); *New York v. Debt Resolve, Inc.*, 387 F. Supp. 3d 358, 366 (S.D.N.Y. 2019) (applying common enterprise theory to multiple defendants alleged to have violated TSR).

dispositive factors: "whether they (1) maintain officers and employees in common, (2) operate under common control, (3) share offices, (4) commingle funds, and (5) share advertising and marketing."[147] Here, the evidence demonstrates the existence of a common enterprise between SFS and its Client Services Subsidiaries.

First, SFS and its Client Services Subsidiaries maintain officers and employees in common. In a 2018 tax return, Sasson is listed as an Officer of Strategic Family, Inc., the holding company for the common enterprise.[148] SFS and its Client Services Subsidiaries also share employees.[149] Although individual employees' salaries were often paid by Strategic Client Support, f/k/a Pioneer Client Services, many employees perform work for all of the Client Services Subsidiaries without distinction.[150] In some instances, the same employees answer phone lines associated with multiple Client Services Subsidiaries. For example, one employee whose salary was paid by Strategic Client Support, LLC answered consumer calls while holding himself out to be a representative of at least six different Façade Firms.[151] Indeed, Strategic CS is invoiced by ADP not only for multiple SFS entities, but for multiple Façade Firms as well.[152]

Second, SFS and the Client Services Subsidiaries operate under the common control of Individual Defendant Sasson. Sasson is the Chief Executive Officer of SFS and, along with others, founded the company in 2007.[153] Additionally, as of 2017, Sasson owned about 26% of SFS through ownership of other corporate entities.[154] Sasson is also listed in bank documents as

[147] *See CFPB v. NDG Fin. Corp.*, No. 15-cv-5211, 2016 WL 7188792, at *16-17 (S.D.N.Y Dec. 2, 2016.

[148] Ridder Declaration ¶ 12(a).

[149] Callahan Declaration ¶¶ 22-3.

[150] *Id.* ¶ 22.

[151] *Id.* ¶ 23(b).

[152] Ridder Declaration ¶ 18(c).

[153] *Id.* ¶ 8(a).

[154] *Id.* ¶ 9.

the owner/manager/account signatory of many of the Client Services Subsidiaries that are used to funnel money to SFS.[155] Sasson was listed as the authorized officer on a master signature card for nineteen entities affiliated with SFS, including a dozen Client Services Subsidiaries.[156]

Third, the companies share office space on the sixth floor at 711 3rd Avenue, New York, NY 10018, and 115 Lawrence Bell Drive, Buffalo, New York 14221.[157] The companies also all share a phone system. The system is controlled by SFS, which hired a company to analyze calls across the enterprise.[158]

Fourth, the companies are commingling assets. Bank account documents show that an account for Strategic Financial Solutions was transferred to Strategic Client Support, suggesting that the two companies do not operate independently.[159] Plus bank documents show that Sasson, SFS's CEO, opened accounts for Strategic Client Support, LLC Strategic Financial Solutions, LLC, Strategic Consulting, LLC, Strategic CS, LLC, BCF Capital, LLC, and Anchor Client Services, LLC.[160] Perhaps most significantly, an analysis of bank accounts held by Pioneer Client Servicing, Boulder Client Services, and Bedrock Client Services shows that they all transferred millions of dollars to various companies in the SFS common enterprise, including Strategic Client Support, LLC, Strategic NYC, LLC, Strategic CS, LLC, and Strategic Consulting, LLC.[161] For example, between October 2017 and December 2020, an account held by Strategic NYC, LLC shows incoming transfers totaling approximately $73,000,000 from at least 9 different Client Services Subsidiaries and outbound transfers totaling approximately

[155] Hanson Declaration ¶¶ 11, 29; Ridder Declaration ¶¶ 12(e), 13
[156] Hanson Declaration ¶ 11.
[157] Ridder Declaration ¶¶ 11(e)-(g).
[158] Callahan Declaration ¶¶ 19-20, 23-25.
[159] Hanson Declaration ¶¶ 25-28.
[160] *Id.* ¶¶ 9-11; Ridder Declaration ¶ 12(e).
[161] *Id.* ¶ 8.

$96,000,000 to at least 8 different SFS entities.[162] Plaintiff's' analysis of these entities' accounts suggests they are functionally commingling assets.[163] Finally, SFS and Client Services Subsidiaries take fees from consumer accounts, even where a consumer is allegedly associated with a different Client Service Subsidiary. For example, between January 1, 2016 and March 15, 2021, for consumers associated with Rockwell Client Services, Bedrock Client Support took $182.00 in fees, Harbor Client Services took over $2,000,000 in fees, Monarch Client Services took $7.00 in fees, and Versara Lending took $181,522.49.[164]

C. Defendants Ryan Sasson and Jason Blust are liable for TSR violations.

Ryan Sasson is liable for the foregoing TSR violations, because of his own personal actions, and Sasson and Jason Blust are liable because they substantially assisted others' violations.

1. Individual Defendant Sasson is liable for the violations based on his direct participation or his ability to control the companies, and his knowledge or reckless indifference to requesting or receiving advance and unlawful fees in the context of telemarketing or selling debt relief services.

In order to obtain injunctive relief against an individual for corporate violations of the TSR, an individual will be liable "if (1) he participated directly in the deceptive acts or had the authority to control them and (2) he had knowledge of the misrepresentations, was recklessly indifferent to the truth or falsity of the misrepresentation, or was aware of a high probability of

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[162] *Id.* ¶ 26.
[163] *See 4 Star Resolution*, 2015 WL 7431404, at *4 (concluding that plaintiffs had established a fair and tenable chance of proving defendants operated as a common enterprise when, among other things, over $11,000,000 was transferred among the corporate defendants between 2010-2014); *Tax Club, Inc.*, 994 F. Supp. 2d. at 467 (determining that complaint alleged sufficient facts to support the existence of commingling when funds were transferred among the bank accounts of the corporate defendants, and consumer funds processed through a credit card merchant account in the name of one corporate defendant were often deposited in a bank account in the name of another corporate defendant).
[164] Cohen Declaration ¶¶ 18-20.

fraud along with an intentional avoidance of the truth."[165] A person's role and authority within the company can demonstrate the requisite control.[166]

Here, Sasson directly participated in, controlled, or had managerial responsibility for and knowledge of the enterprise's actions. Sasson is the current CEO of Strategic Financial Solutions, LLC and one of its founders.[167] As the CEO of SFS, Sasson coordinates with Blust and other Façade Firm attorneys to conceal Defendants' role in providing debt-relief services.[168] Sasson controls the Client Services Subsidiaries that correspond to each Façade Firm.[169] Sasson opened and controlled bank accounts for SFS and the Client Services Subsidiaries.[170] Thus, Ryan Sasson is individually liable based on his ability to control the companies and his knowledge of, or reckless indifference to, SFS and the Client Services Subsidiaries telemarketing, and requesting and receiving advance and unlawfully calculated fees.

2. Individual Defendants Sasson and Blust are liable for the violations because they provided substantial assistance.

Sasson and Blust are liable based on the substantial assistance that they provided to the Corporate Defendants in their violations. Under the TSR, a person is liable for substantially assisting any seller or telemarketer when the person knows or consciously avoids knowing that the seller or telemarketer is engaged in any act of practice that violates the TSR.[171] To establish substantial assistance under the TSR, courts require: 1) an underlying TSR violation; 2) substantial assistance or support to the seller or telemarketer violating the TSR; and 3) that the

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[165] *Consumer Health Benefits Ass'n*, 2012 WL 1890242, at *5; *Tax Club, Inc.*, 994 F. Supp. 2d at 471; *See also Fed. Trade Comm'n v. LeadClick Media, LLC,* 838 F.3d 158, 169 (2d Cir. 2016).
[166] *Tax Club, Inc.*, 994 F. Supp. 2d at 471.
[167] Callahan Declaration ¶ 8(a).
[168] Callahan Declaration ¶¶ 8, 16-21.
[169] Callahan Declaration ¶ 8; Ridder Declaration ¶¶ 12-13.
[170] Hanson Declaration ¶¶ 9-11.
[171] 16 C.F.R. § 310.3(b).

person knew or consciously avoided knowing that the seller or telemarketer violated the TSR.[172] "The substantial assistance doctrine does not impose a demanding standard, as it requires only that the assistance be more than casual or incidental dealing with a seller or telemarketer that is unrelated to the violation of the Rule."[173] Courts can infer knowledge or conscious avoidance of knowledge when the person providing substantial assistance received complaints about the violations.[174]

Sasson and Blust substantially assisted the Corporate Defendants' TSR violations. As explained above, Sasson maintains extensive control over the Corporate Defendants. Blust maintains, and—along with Sasson—controls multiple Façade Firms to conceal SFS's involvement in the debt-relief service. Blust recruited an SFS employee to simultaneously serve as a supervising attorney for multiple Façade Firms while working for SFS.[175] Indeed, this attorney was a member of so many firms she could not remember the complete list.[176] And she explained that other attorneys who work in SFS's offices in Manhattan are also supervising attorneys for other law firms associated with Blust.[177] When employees of SFS or its Client Services Subsidiaries are unable to resolve escalated consumer issues, they often consult with Blust or send the issue to him for resolution.[178]

Given the roles Sasson and Blust have played in, among other things, establishing the business structure and coordinating the numerous members of the common enterprise, they knew or consciously avoided knowing about the TSR violations. For example, Sasson controlled many

[172] *Consumer Health Benefits Ass'n*, 2011 WL 3652248, at *5.
[173] *Id.*
[174] *Id.*
[175] Callahan Declaration ¶ 17(a)-(d).
[176] *Id.* ¶ 17(b).
[177] *Id.* ¶ 17(c).
[178] *Id.* ¶¶ 17(c)-(d).

of the Client Services Subsidiary bank accounts which received advance fees from consumer accounts at RAM, and both Sasson and Blust were involved in addressing consumer complaints against SFS and the Façade Firms.[179] Accordingly, Sasson and Blust substantially assisted in the Corporate Defendants' violations and should be held individually liable.

D. Continued violations of the TSR will cause irreparable harm.

Allowing Defendants to continue to collect fees that violate the TSR during the course of litigation will cause irreparable harm to consumers. As a threshold matter, Plaintiffs do not need to make a showing of irreparable injury in cases like this one, where Congress has expressly authorized courts to order injunctive relief to prevent violations of a statute because irreparable harm to the public is presumed.[180] Even without the presumption, Plaintiffs' evidence establishes a likelihood of irreparable harm.

As noted above, Defendants and the Façade Firms unlawfully requested or received at least $100,000,000 in advance and unlawful fees between January 2015 and mid-March 2021—an average of more than $1,500,000 a month in consumer harm. And that number is an understatement, as it only accounts for one of Defendants' two escrow companies and only focuses on payments made before the first debt-relief payment, thereby excluding many of the enrolled consumers and the ongoing harm caused by charging fees that were untethered from results obtained for consumers. Notably, Plaintiffs are requesting redress to consumers, making the potential damage amount substantial.

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[179] Callahan Declaration ¶¶ 17(c)-(d); Ridder Declaration ¶¶ 12-13, 20; Hanson Declaration ¶¶ 9-11

[180] *See Verity Int'l*, 124 F. Supp. 2d at 199; *see also Diapulse*, 457 F.2d at 28; 12 U.S.C. § 5565(a)(2); 15 U.S.C. § 53(b); 15 U.S.C. § 6105(b), (d); *Schmitt*, 734 F. Supp. at 1049.

In order to preserve the Court's ability to award redress or other damages, it is important to ensure that Defendants do not dissipate any available funds. But Defendants' banking practices raise serious concerns that such dissipation would occur without preliminary injunctive relief. First, Defendants have a track record of changing banks, making it difficult to find their assets.[181] For example, in July 2018, the Client Services Subsidiaries stopped all transfers of consumer funds to accounts at Valley Bank, f/k/a Bank Leumi, closing the accounts shortly thereafter.[182] The same month, the Client Services Subsidiaries began collecting consumer funds in accounts at Key Bank.[183] Then in June 2021, Defendants closed all SFS accounts at Key Bank and opened accounts at a different bank.[184] Second, bank records show that Jason Blust has already transferred assets to an irrevocable trust account, which makes it difficult to seize assets and satisfy judgments. Between March 2020 and April 2021, Relief Defendant Lit Def Strategies, which is controlled by Jason Blust, transferred $36,000,000 to the Blust Family Trust.[185] Third, Defendants have transferred large sums into private accounts, including those held or controlled by Individual Defendants or their family.[186]

E. The public interest and balance of hardships support a TRO.

Granting the injunction requested by Plaintiffs is also in the public interest. Halting Defendants' unlawful conduct and preserving assets to redress consumers outweighs any interest that Defendants have in continuing their illegal practices. In balancing public and private

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[181] Hanson Declaration ¶¶ 17-19.
[182] *Id.* ¶ 17.
[183] *Id.* ¶ 18.
[184] *Id.* ¶ 19.
[185] *Id.* ¶ 37.
[186] *Id.* ¶¶ 29-39.

interests, public equities receive far greater weight.[187] This principle is especially important in the context of enforcing consumer-protection laws.[188]

Here, Defendants have *no* cognizable interest in continuing their illegal conduct and no legitimate claim to hardship to the extent the Court enjoins their unlawful operations.[189] The balance of hardships thus tips decidedly in favor of the Plaintiffs.

F. The scope of the proposed preliminary injunctive relief is appropriate and necessary to secure effective final relief for victimized consumers.

1. The conduct provisions in the proposed TRO are narrowly tailored to prevent ongoing consumer injury.

The preliminary injunctive relief proposed by Plaintiffs is narrowly tailored to prevent ongoing consumer injury by temporarily prohibiting Defendants from engaging in the illegal conduct described above. Section I of the proposed TRO is warranted based on the fact that Defendants have a long history of violating the TSR and have collected over $84,000,000 in illegal advance fees from consumers (Count 1) (and substantially more when accounting for unlawful fees (Count 2)). Furthermore, these provisions are necessary because Defendants' scheme of collecting advance and unlawful fees is constantly evolving. While Plaintiffs have obtained significant information during the covert investigation of the structure of the enterprise and the flow of unlawfully obtained funds to Defendants, Defendants appear to regularly alter

[187] *Cuban Exch., Inc.*, 2012 WL 6800794, at *2; *FTC v. World Wide Factors*, 882 F.2d 344, 347 (9th Cir. 1989).
[188] *FTC v. Campbell Capital*, No. 18-cv-1163-LJV-MJR, 2018 WL 5781458, at *3 (W.D.N.Y. Oct. 24, 2018) ("[T]he public interest in ensuring the enforcement of federal consumer protection is strong[.]") (citation and internal quotations omitted); *see also FTC v. Affordable Media*, 179 F.3d 1228, 1236 (9th Cir. 1999) (noting that the public interest in preserving illicit proceeds for restitution victims is great).
[189] *See Cuban Exch., Inc.*, 2012 WL 6800794, at *2 (explaining that there is "no oppressive hardship to defendants in requiring them to comply with the [FTC Act], refrain from fraudulent misrepresentation or preserve their assets from dissipation or concealment") (citation and internal quotations omitted).

how they operate in an effort to evade detection by federal and state regulators. The risk of harm to Defendants during this temporary stoppage of unlawful activity is low, while the risk of harm to consumers if Defendants are permitted to continue is extremely high.[190] The conduct provisions in the proposed order will ensure that Defendants will not continue to profit from an unlawful scheme to collect advance fees. "[T]here is no oppressive hardship to defendants in requiring them to comply with the [law]," which is all that these provisions require.[191]

2. An asset freeze is essential to preserve the possibility of effective final relief for victimized consumers.

When district courts determine plaintiffs are likely to prevail in a final determination on the merits, courts issue orders preserving assets to ensure that assets are available to provide restitution to injured consumers.[192] The Second Circuit has "characterized the freezing of assets as ancillary relief that facilitates monetary recovery by preserving the status quo pending litigation of statutory violations."[193]

To obtain an asset freeze against a relief defendant, the government must show that the person has received ill-gotten funds and does not have a legitimate claim to those funds.[194] Alternatively, a court may freeze a relief defendant's assets where the government can

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[190] *Campbell Capital*, 2018 WL 5781458, at *3 (explaining that "there is no legitimate public interest in permitting [d]efendants to continue operating if their business consists of activities that violate the FTC Act, the FDCPA, and New York state law, and the public equities must receive greater weight than private concerns").
[191] *FTC v. World Wide Factors, Ltd.*, 882 F.2d 344, 347 (9th Cir. 1989); *see FTC v. Kitco*, 612 F. Supp. 1282, 1296-97 (D. Minn. 1985) (holding that an order prohibiting misrepresentation will not unduly harm defendants, since it will not prohibit them from doing business, but only from doing business in an unlawful manner).
[192] *See Campbell Capital*, 18-cv-1163-LJV-MJR, 2018 WL 5781458, at *4 (W.D.N.Y. Oct. 24, 2018) (noting that an asset freeze is appropriate "where there is a significant risk of the dissipation of defendants' assets during the course of the litigation").
[193] *FTC v. Strano*, 528 Fed. App'x 47, 49 (2d Cir. 2013).
[194] *SEC v. Cavanaugh*, 155 F.3d 129, 136 (2d Cir. 1998).

demonstrate that the defendant exercises complete control over that third party.[195] Courts likewise order complete asset freezes where the relief defendant's assets are commingled with the defendant's fraudulent assets, because requiring the government to identify specific assets tainted by fraud would incentivize defendants to "spend[] down illicit gains while protecting legitimately obtained assets . . . or by commingling and transferring" such gains.[196] This Court's ability to provide effective final relief for consumers would be irrevocably compromised if that happened. Here, asset freezes are warranted against both Defendants and Relief Defendants.

a. An asset freeze is warranted against Asset-Freeze Defendants[197].

An asset freeze is warranted against the Defendants here because courts have held, and experience has shown, that defendants who repeatedly persist in carrying out illegal schemes are likely to waste assets – or transfer assets beyond the reach of law enforcement – before the action resolves. Where, as here, a company's business operations are permeated by illegality, courts have found a strong likelihood that assets may be dissipated during litigation.[198] Courts have also frozen individual defendant's assets where, as here, the individuals controlled – or had constructive knowledge of – the illegal practices at issue.[199]

b. An asset freeze is warranted against several Relief Defendants.

An asset freeze is also warranted against several Relief Defendants because the Individual Defendants own and control the bank accounts for the Relief Defendants and the Individual Defendants have commingled funds in these accounts with funds obtained from

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[195] *See SEC v. Zubkis*, No. 97-cv-8086, 2003 WL 22118978, at *5 (S.D.N.Y. Sept. 11, 2003); *SEC v. Hickey*, 322 F.3d 1123, 1131-32 (9th Cir. 2003).
[196] *SEC v. I-Cubed Domains, LLC*, 664 Fed. App'x 53, 56 (2d Cir. 2016).
[197] The Asset-Freeze Defendants are all Defendants and Relief Defendants.
[198] *Grand Teton Professionals, LLC*, 2019 WL 4439501, at *4.
[199] *See FTC v. Am. Fin. Support Servs., Inc.*, No. 19-cv-02109 , 2019 WL 6337435, at *10 (C.D. Cal. Nov. 26, 2019).

consumers through Defendants' unlawful acts and practices. Individual Defendant Jason Blust directs and controls Relief Defendants Lit Def Strategies, LLC and Relialit, LLC, which are his consulting companies. As of June 2021, Blust was the sole member and manager of both companies.[200] He is also the sole beneficial owner for bank accounts for those two entities.[201] Jason Blust uses his consulting companies to direct consumer funds from the Façade Firms to himself. Between December 30, 2019 and March 30, 2021, Lit Def Strategies received over $30,000,000 from 18 Façade Firms associated with Client Services Subsidiary defendants.[202] Moreover, Blust has control over the bank accounts for John Dougherty & Associates, d/b/a Pioneer Law Firm, which receives substantial funds from Client Services Subsidiaries.[203]

Likewise, Individual Defendant Sasson and Relief Defendants Daniel Blumkin and Ian Behar direct and control Relief Defendants Duke Enterprises, LLC, Twist Financial, LLC, and Blaise Investments, LLC, respectively.[204] Between October 2016 and September 2017, SFS transferred almost $9,000,000 to Relief Defendants Duke Enterprises, LLC, Twist Financial, LLC, and Blaise Investments, LLC.[205] Sasson was the signatory on the SFS account that transferred the funds.[206] And between May 2018 and March 2020, Strategic Family, Inc. transferred in aggregate over $63,000,000 to Relief Defendants Duke Enterprises, LLC, Twist Financial, LLC, and Blaise Investments, LLC.[207] Accordingly, Relief Defendants Duke

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[200] Ridder Declaration ¶ 22 (a)-(b).
[201] Hanson Declaration ¶¶ 32, 34; Ridder Declaration ¶ 21.
[202] Hanson Declaration ¶ 35.
[203] Ridder Declaration ¶ 19; Hanson Declaration ¶16.
[204] Ridder Declaration ¶¶ 12(a)-(c).
[205] Hanson Declaration ¶ 29. During this time period, SFS transferred over $3,400,000 to Duke Enterprises, LLC, over $2,200,000 to Twist Financial, LLC, and over $3,200,00 to Blaise Investments, LLC.
[206] *Id.*
[207] Hanson Declaration ¶ 30.

Enterprises, LLC, Twist Financial, LLC, and Blaise Investments, LLC should be subject to an asset freeze because they have received ill-gotten funds and they lack a legitimate claim to those funds as they are not bona fide purchasers with legal or equitable title to the funds.[208]

An asset freeze should also be ordered for the Blust Family Irrevocable Trust and Jaclyn Blust. Between March 2020 to April 2021, Lit Def Strategies—which as noted above, Jason Blust controls and should itself be subject to a freeze—transferred $36,000,000 to the Blust Family Irrevocable Trust.[209] Between July 2020 and April 2021, the Blust Family Irrevocable Trust then transferred $8,300,000 to Relief Defendant Jaclyn Blust.[210] Accordingly, Relief Defendants Jaclyn Blust and Blust Family Irrevocable Trust, through its trustee Donald J. Holmgren, should be subject to an asset freeze because they have received ill-gotten funds and they lack a legitimate claim to those funds. An asset freeze is also warranted against Strategic ESOP and Strategic ESOT. If SFS holds money in any accounts under these names, that money should be frozen to preserve the possibility of effective relief for victimized consumers.

Accordingly, the Court should order an asset freeze in this case to ensure that funds are available for redress to consumers in the event it determines such relief is appropriate.

3. *Ex parte* relief is appropriate under the circumstances.

The risk of asset dissipation in this case, coupled with Defendants' ongoing law violations, justifies *ex parte* relief. Federal Rule of Civil Procedure 65(b) permits this Court to enter *ex parte* orders upon a clear showing that "immediate and irreparable injury, loss, or damage will result" before the adverse party can be heard in opposition. Mindful of this concern,

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[208] *See FTC v. Brace*, No. 15-cv-00875 RJA-JJM, 2016 WL 11795485, at *1-2 (W.D.N.Y. Feb. 24, 2016); *FTC v. Fed. Check Processing, Inc.*, No. 14-cv-122S, 2016 WL 5940485, at *4 (W.D.N.Y. Oct. 13, 2016).
[209] Hanson Declaration ¶ 37.
[210] *Id.* ¶ 38.

federal courts in New York have granted government requests for *ex parte* temporary restraining orders in cases where there is a likelihood of asset transfer or dissipation.[211]

The risk of asset dissipation is particularly acute here. At least one Defendant has already transferred funds to a family trust, which demonstrates an inclination to hide funds from potential creditors. In addition, the Individual Defendants are recidivists who were former employees of Legal Helpers Debt Resolution which was the subject of multiple government actions by the Illinois Attorney General and the states of Wisconsin, North Carolina, and West Virginia between 2011 and 2014 for charging unlawful up-front fees, failing to reduce consumers' debts as promised, and attempting to avoid advance-fee bans by recruiting attorneys to act as fronts for the businesses.[212] The fact that these individuals are now involved in another common enterprise that is defrauding unsuspecting consumers suggests these individuals would not hesitate to move funds to protect these assets from their victims. Providing notice to Defendants before an asset freeze is in place would create a significant risk of asset dissipation.

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[211] *See Campbell Capital*, 2018 WL 5781458, at *4-5 (granting *ex parte* TRO with asset freeze, temporary receiver, financial reporting, immediate access, and expedited discovery in unlawful debt collection practices case); *see, e.g.*, *FTC v. 4 Star Resolution LLC*, No. 15-cv-112S (W.D.N.Y. Feb. 10, 2015), ECF No. 29 (granting *ex parte* TRO with asset freeze, temporary receiver, financial reporting, immediate access, and expedited discovery in action against debt collectors); *FTC v. Vantage Point Servs., LLC*, No. 15-cv-0006S (W.D.N.Y. Jan. 5, 2015), ECF No. 11 (same); *FTC v. Pairsys, Inc.*, No. 1:14-cv-1192 (N.D.N.Y. Sept. 30, 2014), ECF No. 7 (granting *ex parte* TRO with asset freeze, temporary receiver, financial reporting, and immediate access); *FTC v. Nat'l Check Registry, LLC*, No. 14-cv-490-A (W.D.N.Y. Jun. 24, 2014), ECF No. 14 (granting TRO with asset freeze, temporary receiver, financial reporting, immediate access, and expedited discovery); *FTC v. Fed. Check Processing, Inc.*, No. 14-cv- 0122 (W.D.N.Y. Feb. 24, 2014), ECF No. 11 (granting *ex parte* TRO with asset freeze, temporary receiver, financial reporting, immediate access, and expedited discovery); *FTC v. PCCare247, Inc.*, No. 12-7189 (S.D.N.Y. Oct. 2, 2012), ECF No. 13 (granting *ex parte* TRO with asset freeze, financial reporting, immediate access, and expedited discovery); *FTC v. Navestad*, No. 09-6329 (W.D.N.Y. June 25, 2009), ECF No. 7 (granting *ex parte* TRO with asset freeze, temporary receiver, financial reporting, and immediate access).
[212] *See Complaint*, ¶ 52 (citing numerous governmental, as well as private, actions against Legal Helpers); https://illinoisattorneygeneral.gov/pressroom/2012_07/20120709.html.

4. The Court should appoint a temporary receiver, who will have immediate access to the Receivership Defendants, to secure the Receivership Defendants' property; direct the Defendants and Relief Defendants to preserve records; and allow limited expedited discovery and financial reporting.

The Court should issue an order appointing a temporary receiver who will have immediate access to the business premises of the Receivership Defendants[213] to secure the Defendants' and Relief Defendants' property, as defined in the proposed TRO. The Court should also direct the Defendants, Relief Defendants, and their successors, assigns, officers, agents, servants, employees, and attorneys, and those Persons or entities in active concert or participation with any of them, including third party service providers such as computing providers and email providers, to preserve records, including electronically stored records and evidence, and allow limited expedited discovery and financial reporting.

a. The Court should appoint a temporary receiver.

When determining whether to exercise their broad discretion to appoint a receiver, courts consider "a host of relevant factors, and . . . no one factor is dispositive."[214] These factors include:

> [f]raudulent conduct on the part of the defendant; imminent danger that the property will be lost, diminished in value, or squandered; the inadequacy of available legal remedies; the probability that harm to the plaintiff by denial of the appointment would be greater than the injury to the parties opposing the appointment; the plaintiff's probable success in the action and the possibility of irreparable injury to plaintiff's interests in the property; and whether the interests of the plaintiff and others sought to be protected will in fact be served by receivership.[215]

The appointment of a receiver is "particularly necessary" where "it is likely that, in the absence of the appointment of a receiver to maintain the status quo, the corporate assets will be

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[213] *See* Notes 209-11 *supra.*
[214] *Canada Life Assurance Co. v. LaPeter*, 563 F.3d 837, 845 (9th Cir. 2009).
[215] *Altisssima Ltd. v. One Niagra, LLC*, No. 08-cv-756 (JTC), 2009 WL 1322319, at *1 (W.D.N.Y. May 8, 2009).

subject to diversion and waste."[216] Appointment of a temporary receiver is appropriate in this case. Plaintiffs have established a strong likelihood of both success in this action and irreparable injury to consumers, as well as the risk of dissipation of the money that Defendants took from consumers in violation of law. While Plaintiffs have substantial evidence of the unlawful activity that Defendants are engaging in to collect fees prohibited by the TSR, the scheme is constantly being altered to evade enforcement efforts to protect consumers from harm. A receiver is necessary here to assist this Court, to ensure compliance with its order, to disentangle the companies and bank accounts, and to protect consumers who may have a current debt settlement contract with Defendants. Defendants' operation of their business under myriad names and addresses and numerous bank accounts underscores the facility with which Defendants can move their property to frustrate Plaintiffs' efforts to gather evidence supporting their claims and substantiating the significant consumer harm in this case. Moreover, Individual Defendants' history of recidivism, and their role in leading the numerous Corporate Defendants, raises the concern that they may seek to conceal property and evidence that would support Plaintiffs' claims against them. In the same vein, it is necessary for the Court to prevent Defendants and Relief Defendants from destroying information that is pertinent to Plaintiffs' allegations.[217] Courts in this district have regularly appointed a receiver in similar circumstances.[218]

b. The Court should grant the temporary receiver immediate access to the Receivership Defendants' business premises.

In order to preserve records and locate assets, Plaintiffs further request that the Court grant the temporary receiver immediate access to the Receivership Defendants' business

[216] *SEC v. First Fin. Group of Texas*, 645 F.2d 429, 438 (5th Cir. 1981).
[217] *See SEC v. Unifund SAL*, 910 F.2d 1028, 1040 n.11 (2d Cir. 1990) (characterizing orders preventing destruction or alteration of records as "innocuous").
[218] *See* Notes 199-209 *supra*.

premises, as defined in the proposed TRO. Such requests have been granted *ex parte* in several government actions in this district and others.[219] The request for the temporary receiver to have immediate access is necessary to prevent irreparable harm in the form of the dissipation or concealment of assets or documents. Plaintiffs are only seeking immediate access for the temporary receiver and not for the Plaintiffs.

c. The Court should grant leave for limited, expedited discovery.

Plaintiffs also seek leave of Court for limited, expedited discovery to locate and identify assets and documents. District courts are authorized to fashion discovery to meet the need of particular cases. Federal Rules of Civil Procedure 26(d), 33(a), and 34(b) authorize the Court to alter default provisions, including applicable time frames, that govern interrogatories and production of documents. A narrow, expedited discovery order reflects the Court's broad and flexible authority in equity to grant preliminary emergency relief in cases involving the public interest.[220] Here, expedited discovery, as described in Section XVIII of the proposed TRO, is warranted to locate assets, locate documents, identify the identities of the injured consumers, determine information about the use of third-party notaries and ensure compliance with an order of this Court. The request for expedited discovery is limited to this purpose and is necessary to prevent irreparable harm in the form of the dissipation or concealment of assets or documents.

[219] *See* Note 209, *supra*.

[220] *See Fed. Express Corp. v. Fed. Expresso, Inc.*, No. 97-cv-1219, 1997 WL 736530, *2 (N.D.N.Y. Nov. 24, 1997) (noting that expedited discovery "will be appropriate in some cases, such as those involving requests for preliminary injunction," and concluding that early discovery was appropriate where plaintiff's requests were "reasonably tailored to the time constraints" involved and to the "specific issues" to be addressed at the preliminary injunction hearing) (quoting commentary to Fed. R. Civ. P. 26(d)).

Courts in this district have granted leave for plaintiffs to conduct limited expedited discovery in similar circumstances.[221]

d. The Court should order prompt financial reporting by the Asset-Freeze Defendants.

Finally, as described in Section IV of the proposed TRO, the Court should order the Asset-Freeze Defendants, as defined in the Proposed TRO, to make prompt and full disclosure of the scope and financial information related to the Asset-Freeze Defendants' corporate accounts, along with their personal finances. This information is necessary to ensure that the Court is fully advised regarding (1) the nature, extent, and location of the Asset-Freeze Defendants' assets; (2) the sources of the funds in the accounts of the Asset-Freeze Defendants; (3) the recipient(s) of any payments of funds from the accounts of the Asset-Freeze Defendants; and (4) the total amount of consumer injury. Courts in this district have order prompt financial reporting in similar circumstances.[222]

CONCLUSION

SFS, the Client Services Subsidiaries, and the Individual Defendants are causing irreparable harm to consumers and will continue to do so unless their practices violating the TSR are enjoined. Plaintiffs therefore respectfully request this Court to grant the proposed TRO, and subsequently a preliminary injunction, enjoining Defendants from engaging in the illegal practices discussed above and order other preliminary relief, including freezing the Asset -Freeze Defendants' assets, appointing a temporary receiver who will have immediate access to the premises of the Receivership Defendants, enjoining the destruction of any relevant evidence or

[221] *See* Note 209, *supra*.
[222] *Id*.

documentation, and authorizing limited expedited discovery, including sworn financial reporting, to stop ongoing harm and ensure effective final relief for consumers victimized by Defendants.

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Respectfully submitted,

Attorneys for Plaintiff
Consumer Financial Protection Bureau

ERIC HALPERIN
Enforcement Director

RICHA SHYAM DASGUPTA
Deputy Enforcement Director

TIMOTHY M. BELSAN
Assistant Litigation Deputy

/s/ Vanessa Buchko
Vanessa Buchko
E-mail: vanessa.buchko@cfpb.gov
Phone: 202-435-9593
Monika Moore
E-mail: monika.moore@cfpb.gov
Phone: 202-360-5905
Joseph Sanders
E-mail: joseph.sanders@cfpb.gov
Phone: 202-377-9846
1700 G Street NW
Washington, DC 20552
Facsimile: (202) 435-7722

LETITIA JAMES
Attorney General of the State of New York

/s/ Christopher L. Boyd
Christopher L. Boyd
Assistant Attorney General
350 Main Street, Suite 300A
Buffalo, NY 14202
Phone: (716) 853-8457
Email: Christopher.Boyd@ny.ag.gov

PHILIP J. WEISER
Attorney General

State of Colorado

/s/ Kevin J. Burns
Kevin J. Burns, CO Reg. No. 44527
Pro hac vice application pending
Senior Assistant Attorney General
Colorado Department of Law
Ralph L. Carr Judicial Center
Consumer Protection Section
1300 Broadway, 6th Floor
Denver, CO 80203
Phone: (720) 508-6110
Kevin.Burns@coag.gov

KATHLEEN JENNINGS
Attorney General State of Delaware

/s/ Marion M. Quirk
Marion M. Quirk (*pro hac vice,* pending)
Director of Consumer Protection
Kevin D. Levitsky (*pro hac vice*
forthcoming, if required)
Deputy Attorney General
Delaware Department of Justice
820 N. French Street, 5th Floor
Wilmington, DE 19801
Phone: (302) 683-8810
Marion.Quirk@delaware.gov
Kevin.Levitsky@delaware.gov

KWAME RAOUL
Attorney General
State of Illinois

By: */s/ Greg Grzeskiewicz*
Greg Grzeskiewicz, Chief, Consumer Fraud
Bureau
*Pro hac vice application forthcoming, if
required*
Daniel Edelstein, Supervising Attorney,
Consumer Fraud Bureau
*Pro hac vice application forthcoming, if
required*
Amanda E. Bacoyanis, Assistant Attorney

General, Consumer Fraud Bureau
Pro hac vice application forthcoming
Matthew Davies, Assistant Attorney
General,
Consumer Fraud Bureau
Pro hac vice application forthcoming, if required
Office of the Illinois Attorney General
115 S. LaSalle St., 26th Floor
Chicago, Illinois 60603
312-814-2218
Greg.Grzeskiewicz@ilag.gov
Daniel.Edelstein@ilag.gov
Amanda.Bacoyanis@ilag.gov
Matthew.Davies@ilag.gov

KEITH ELLISON
Attorney General of Minnesota

/s/ Evan Romanoff
Evan Romanoff
Assistant Attorney General (*pro hac vice* pending)
Telephone: (651) 728-4126
evan.romanoff@ag.state.mn.us

JOSHUA H. STEIN
Attorney General of North Carolina

/s/ M. Lynne Weaver
M. Lynne Weaver (*pro hac vice* pending)
Special Deputy Attorney General
N.C. State Bar No. 19397
114 W. Edenton Street
Raleigh, NC 27602
Telephone: (919) 716-6039
lweaver@ncdoj.gov

JOSHUA L. KAUL
Attorney General of Wisconsin

/s/ Lewis W. Beilin
Assistant Attorney General (*pro hac vice* pending)
Wisconsin Department of Justice

17 West Main Street
Post Office Box 7857
Madison, WI 53707-7857
(608) 266-1221
beilinlw@doj.state.wi.us