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7 **UNITED STATES DISTRICT COURT**  
8 **DISTRICT OF ARIZONA**

9 Cheryl Anderson, on behalf of herself and all  
10 others similarly situated,

11 Plaintiffs,

12 v.

13 Meracord, LLC, a Delaware limited  
14 liability company; Fidelity and Deposit  
15 Company of Maryland, as a surety for Meracord  
16 LLC,

17 Defendants.

No. \_\_\_\_\_

**CLASS ACTION COMPLAINT  
AND JURY DEMAND**

18 **I. INTRODUCTION**

19 1. Many Americans have suffered—and continue to suffer—extreme financial and  
20 emotional hardships as a result of the recent financial crisis dubbed the “Great Recession.” These  
21 difficult times have led to the proliferation of highly profitable entities purporting to provide  
22 “debt relief” to financially troubled and over-extended consumers struggling to pay their credit  
23 card, student loan, and mortgage debts. While there are, no doubt, some companies in the debt-  
24 relief industry that provide genuine assistance to consumers, there also are countless bad actors  
25 who see a consumer in financial distress as just another mark. Meracord, LLC (“Meracord”)   
26 formerly known as NoteWorld, LLC, is a perfect example of the latter. To Meracord and its

1 network of co-conspirators, the Great Recession offered not hardship, but windfall profits  
2 through exploitation of those experiencing financial distress.

3       2. Meracord engages and relies upon a network of “front-end” debt relief companies  
4 (“Front DRCs”) that it utilizes to recruit customers. The Front DRCs offer to act as  
5 intermediaries between distraught debtors and their creditors, and use inflated claims and  
6 misrepresentations about their services to sign up customers, only to charge exorbitant and  
7 abusive fees once the mark is on the hook. The Front DRCs require customers to set up an  
8 escrow account into which the customer makes a monthly deposit, generally via an automatic  
9 electronic funds transfer. These accounts are administered by Meracord, which is a “back-end”  
10 debt-relief company. In theory, the Front DRCs will “negotiate” with creditors in order to modify  
11 or lower a customer’s debt obligations and subsequently use the funds in the escrow account to  
12 pay the creditors on behalf of the customer. In the case of credit card and student loan debts, the  
13 Front DRCs promise that once a sufficient balance accumulates in the escrow account, the Front  
14 DRCs will approach creditors and utilize the accumulated balance to settle outstanding debts for  
15 a lump sum in return for fees that are strictly regulated by law. In the case of mortgage debt, the  
16 Front DRCs claim they can negotiate a mortgage modification that will lower the customer’s  
17 monthly payments, and that the funds in the escrow account will go toward the new, lower  
18 payments. The reality, however, is drastically different from these promises.

19       3. The Front DRCs and Meracord represent to consumers that Meracord is independent  
20 and unaffiliated with the Front DRCs. The Front DRCs and Meracord further assure consumers  
21 that consumers will have control over their money at all times. Linda Remsberg—Meracord’s  
22 owner, President, and CEO—calls Meracord “an objective third party processor” on her blog.  
23 These statements are false. In fact, Meracord is deeply intertwined with, and actively conspires  
24 with, the Front DRCs. For example, Meracord provides software to most of the Front DRCs,  
25 through which consumers view their account balances and have the ability to “approve or  
26

1 decline” settlement agreements with their creditors, if any settlement is actually ever reached.  
2 This software in many cases represents the bulk of the “services” that the Front DRCs actually  
3 provide.

4 4. Despite its statements to the contrary, Meracord does not act as an independent  
5 fiduciary. Together with its network of Front DRCs, it loots customers’ escrow accounts by  
6 withdrawing exorbitant and abusive fees pursuant to contracts that are wholly fraudulent because  
7 they are obtained by means of false representations, including (1) guarantees about consumers’  
8 debts being settled for “pennies on the dollar”; (2) that the Front DRCs will be able to modify the  
9 terms of consumers’ mortgages even when the lender has previously rejected modification  
10 requests; (3) misleading statements about the success rates of the debt-relief services; and (4)  
11 assurances that Meracord—the entity that actually withdraws funds from consumers’ accounts—  
12 is an “independent” third party. In many cases, the customer must stop making payments to their  
13 creditors in order to pay the exorbitant fees charged by the Front DRCs, prompting creditors to  
14 initiate lawsuits and foreclosure proceedings. As a result, contracting with the Front DRCs  
15 ultimately leaves the customer in a substantially worse position than before the Front DRCs  
16 offered to “help.”

17 5. If consumers discover the fraud and attempt to retrieve the illegally extracted fees,  
18 they often find that the Front DRC is completely unresponsive, or, worse, is nothing more than a  
19 shell entity with no real address and no discernible ownership structure. Meracord, for its part,  
20 stonewalls customers and refuses to refund illegal fees, hiding behind false claims that it “only”  
21 provides “payment processing” services; that it is “not a debt settlement company”; and that it is  
22 wholly “independent” from the suddenly unavailable (or vanishing) Front DRC. By the time  
23 Meracord actually closes a customer’s escrow account, the customer will have lost thousands,  
24 and in some cases tens of thousands, of dollars in unlawful charges.

1           6. The “churn” rate in Meracord’s debt-relief payment servicing accounts (canceled  
2 accounts as a percentage of active accounts) approaches 70%—a clear and objective indication  
3 that the vast majority of its business activity is wholly fraudulent. If Front DRCs were actually  
4 performing debt-relief services, the vast majority of their consumers would not cancel their  
5 accounts before their debts were renegotiated.

6           7. Although Meracord speciously claims that it is not a debt settlement company, the  
7 online account management tool that Meracord provides for customers specifically has a section  
8 entitled “Settlements,” where customers can “get more details about [pending settlement  
9 agreements] and . . . approve or decline the proposed agreement[s].”

10           8. Plaintiff Cheryl Anderson’s experience is typical of the harm suffered by victims of  
11 Meracord and its co-conspirators. Cheryl was in financial distress and was fraudulently induced  
12 to sign up for debt-relief services that she believed would help her to finally dig herself out of  
13 debt. As part of its “services,” Meracord withdrew over \$7,000 from Cheryl’s bank account,  
14 which Cheryl believed would be used to pay her creditors under the more favorable terms  
15 supposedly being renegotiated by the Front DRC. After multiple credit-card default judgments  
16 were entered against her, Cheryl realized nothing meaningful was being done to renegotiate her  
17 debts. She called Meracord and asked for return of her money, but almost nothing was left—  
18 Mericord had taken most all of the funds for itself and the Front DRCs. The end result was that  
19 Cheryl was thousands of dollars poorer and even *more* in debt than when she originally sought  
20 Defendants’ help.

21           9. As a money transmitter and escrow agent, Meracord is required to post a surety bond  
22 in Arizona to insure against its liability for wrongful acts committed in the course of its escrow  
23 and money transmission business. *See* A.R.S. §§ 6-814, 6-1205 (West 2013). Arizona allows for  
24 consumers to sue directly on the bond if they are injured by the money transmitter and escrow  
25  
26

1 agent's wrongdoing. Accordingly, Cheryl is entitled to sue directly on the surety bond issued by  
2 Meracord based on Meracord's wrongdoing.

3 10. Cheryl brings this action pursuant to the Racketeering Influenced and Corrupt  
4 Organizations Act ("RICO") to recover, from Meracord's surety bond, damages caused by  
5 Meracord's illegal conduct. Cheryl brings this action on behalf of herself and a Class, as defined  
6 below, of similarly situated persons.

7 11. Meracord acted—and continues to act—in concert with the Front DRCs to perpetuate  
8 an unfair, deceptive, and fraudulent business scheme that violates RICO and harms unsuspecting  
9 consumers.

## 10 II. JURISDICTION AND VENUE

11 12. This Court has jurisdiction over the RICO claim pursuant to 18 U.S.C. § 1964(c)  
12 (West 2013) (setting forth civil remedies for RICO violations).

13 13. Venue is proper in this Court because events that gave rise to the claims occurred in  
14 substantial part in this judicial district and because a substantial part of the property that is the  
15 subject of this action is situated in this judicial district. *See* 28 U.S.C. § 1391(b)(2) (West 2013).  
16 Specifically, on information and belief, Defendant Fidelity & Deposit Company of Maryland  
17 issued a surety bond pursuant to A.R.S. § 6-814 in favor of Meracord.

18 14. In addition, venue is proper because Meracord has marketed its fraudulent debt-relief  
19 services within this district and maintains offices in Phoenix and Kingman, Arizona. *See* 28  
20 U.S.C. § 1391(b)(3).

21 15. This Court has personal jurisdiction over Defendants. Defendant Fidelity & Deposit  
22 Company of Maryland has transacted business in this district by issuing a surety bond pursuant  
23 to A.R.S. § 6-814.



1 include at least the following entities: 1st Guaranty Mortgage Corp.; 1UC/1st United  
2 Consultants/First United Consultants; Accredited Financial Corporation; Amber Network Inc.;  
3 American Mortgage Consulting Group LLC; Apply2Save Inc.; Best Debt Options; Beyond  
4 Financial Service; Brite Credit Inc. (d/b/a Brite Credit 123); Century Negotiations Inc.; Clear  
5 Debt Solution; Coastal Debt Solutions LLC; Consumer Advocates Group Experts LLC;  
6 Consumerwise Debt Solutions Inc.; Counsel 4 Debt Relief; Countrywide Debt Solutions Inc.;  
7 Credit Care Corporation; CreditCare Pro; Data Med. Capital Inc.; Debt Advocacy Ctr. LLC;  
8 Debt Erase Inc.; Debt Help Center USA; Debt National Relief; Debt Reinvestment; Debt  
9 Solutions; Debt Source Solutions; DebtPointer Inc.; DebtPro LLC; Dinamica Financiera LLC;  
10 Dominant Leads LLC; DTS Financial Group; E.A.C. Financial LLC; EMA Nationwide  
11 Inc./EMA/Expense Management America; Expert Settlement Professional; Express Debt  
12 Settlement Holdings; FBL Associates; Federal Housing Modification Department Inc.; Federal  
13 Loan Modification Law Center LLP; First Rate Debt Solutions; First Universal Lending LLC;  
14 Foreclosure Solutions LLC; Freedom Companies Marketing; Freedom Debt Center; Freedom  
15 Debt Relief; Freedom Debt Solutions; Freedom Foreclosure Prevention Services LLC; Help  
16 Settle LLC; Helpsettle.com; Home Assure LLC; Hope Now Modifications LLC; Infinity Group  
17 Services; Innovative Debt Solutions; Kirkland Young LLC; Law Office of Simon & Bocksch;  
18 Lifeguard Financial; Lloyd Ward and Associates; Loss Mitigation Services Inc.;  
19 LucasLawCenter "Incorporated"; Maximum Debt Solutions; Morgan Stevens Financial  
20 Solutions Company; Mortgage Foreclosure Solutions Inc.; National Financial Freedom LLC;  
21 National Foreclosure Relief Inc.; National Hometeam Solutions LLC; Nationwide Consumer  
22 Advocacy Group; New Hope Prop. LLC; New Life Financial Solutions/New Life Financial/New  
23 Life Financial Services; On Track Financial LLC; P&E Solutions; Personal Debt Systems of  
24 America; Prime Legal Plans LLC; Princeton Debt Management LLC; Reduce My Debt LLC;  
25 Residential Relief Found. Inc.; Safe Harbour Foundation of Florida Inc.; Settle A Debt Inc.;

26

1 Settlement Corporation of America; SilverLeaf Debt Solutions; The Debt Answer; The Debt  
2 Cure; Truman Foreclosure Assistance LLC; U.S. Homeowners Relief Inc.; U.S. Mortgage  
3 Funding Inc.; United Credit Adjusters Inc.; United Home Savers LLP; US Consumer Report; US  
4 Foreclosure Relief Corp.; Vision Debt.com and World Debt Solutions; and Washington Data  
5 Res. Inc.

6 21. Many of these Front DRCs have been the subject of state and federal investigations  
7 for consumer fraud. In addition, many of the companies, while maintaining separate legal  
8 existences and presenting themselves to consumers as separate entities, are in fact owned and  
9 operated by the same individuals.

10 22. Meracord acknowledges on its website that it is a “relatively small company” facing  
11 “costly challenges.” That is an understatement. Meracord is a defendant in numerous cases  
12 around the country, including but not limited to: *Rajagopalan v. NoteWorld*, No. 3:11-cv-05574  
13 (W.D. Wash., Filed July 26, 2011); *Canada v. Meracord*, No. 3:12-cv-05657 (W.D. Wash., Filed  
14 July 24, 2012); *Fritts v. Debt Resolution Ctr.*, No. CIVMSC12-02292 (Contra Costa Cnty.  
15 Superior Ct., Filed Sept. 27, 2012); *Knotts v. Meracord*, No. 4:13-cv-00358-MGL (D. S.C., Filed  
16 Feb. 8, 2013); and *Lomax v. Meracord*, No. 2:13-cv-01945-SRC-CLW (D. N.J., Filed Feb. 22,  
17 2013). Meracord has also settled at least two cases: *Burke v. NoteWorld*, No. 1:11-cv-00029-JRH  
18 –WLB (S.D. Ga., settled Apr. 18, 2012) and *Wheeler v. NoteWorld*, No. 2:10-cv-00202-LRS  
19 (E.D. Wash., Order Granting Pls.’ Mot. for Preliminary Approval of Class Action Settlement  
20 Agreements Filed Sept. 17, 2013). On information and belief, it is unlikely that Meracord alone  
21 has the resources to fully compensate Cheryl and class members for the injuries alleged below.

22 23. Defendant Fidelity & Deposit Company of Maryland is an insurance company that  
23 issues regulatory and contractual surety bonds. It has issued surety bonds for the “use and  
24 benefit” of claimants against Meracord in Arizona and other states.



1 IV. FACTS

2 A. The Debt-Relief Industry

3 24. As the economy has declined in recent years, the number of Americans unable to pay  
4 their debts has increased, bringing a concurrent increase in the number of companies (both  
5 nonprofit and for-profit) offering to help consumers manage or eliminate their debts.

6 25. Debt-relief companies purport to assist consumers by acting as intermediaries  
7 between a consumer and his or her creditors, and charge fees to “negotiate” with creditors in the  
8 hopes of getting the creditors to settle for less than the full amount of the consumer’s debt, or  
9 otherwise modify the terms of that debt.

10 26. The Front DRCs operate by requiring that a consumer agree to have a specific  
11 monthly payment automatically deducted from the consumer’s bank account and transferred into  
12 a specified “escrow” account at Meracord, which is not under the consumer’s direct control. The  
13 monthly payment is used to pay fees to both the Front DRC and Meracord. Generally, those fees  
14 consume the bulk, if not the entirety, of the customer’s payments for at least the first few months,  
15 if not longer. When a Front DRC is attempting to settle credit card or student loan debt, it  
16 promises that the remaining amount will go toward accumulating money to provide a “lump  
17 sum” amount which the debt settlement company can use to negotiate with creditors in order to  
18 lower the overall amount required to satisfy the consumer’s debt. When a residential mortgage is  
19 involved, the remaining money ostensibly goes toward making the promised lower mortgage  
20 payments ostensibly negotiated with the lender.

21 27. Individuals suffering from debt-related troubles may be among the most vulnerable  
22 consumers due to the inherent emotional stress of carrying seemingly insurmountable debt—a  
23 stress compounded by the harassment suffered by many debtors at the hands of collection  
24 agencies. Despite the enactment of the Fair Debt Collection Practices Act, many collectors  
25 continue to subject indebted consumers to a deluge of harrowing phone calls and letters  
26

1 demanding payment of debts and threatening dire consequences for nonpayment. As a result,  
2 many debtors experience an increasing sense of desperation. The sense of desperation may be  
3 even worse in the case of homeowners who are struggling to pay their mortgages and face the  
4 ever-present threat not just of harassment and lawsuits, but of losing their homes. Add to this  
5 emotionally charged setting a debt-relief company that promises to “make it all go away,” and an  
6 environment rife with consumer fraud and exploitation emerges.

7 28. Indeed, many states, along with multiple federal government agencies and consumer  
8 advocates, have recognized the rampant abuses taking place in the for-profit debt-relief industry,  
9 and have taken steps to curb such abuses.

10 29. In the last few years, the Federal Trade Commission (“FTC”) issued new regulations  
11 prohibiting the very practices described in this Complaint, which include charging advance fees  
12 for debt settlement or mortgage relief services, as well as misrepresenting the nature and details  
13 of the services to be provided. In describing the rationale for its advance fee ban in the debt  
14 settlement industry, the FTC noted:

15 Consumers in the midst of financial distress suffer monetary harm  
16 – often in the hundreds or thousands of dollars – when, following  
17 sales pitches frequently characterized by high pressure and  
deception, they use their scarce funds to pay in advance for  
promised results that, in most cases, never materialize.

18 FTC Telemarketing Sales Rule, 75 Fed. Reg. 153, 48482 (Aug. 10, 2010). With respect to  
19 mortgage modification schemes, the FTC further noted that

20 it appears that the vast majority of consumers do not receive the  
21 results MARS providers promise. After collecting their up-front  
22 fees, MARS providers often fail to make initial contact with the  
23 consumer’s lender or servicer for months, if at all, or to have  
substantive discussions or negotiations with the lender or servicer.  
24 In many cases, MARS providers fail to perform even the most  
25 basic promised services or achieve any beneficial results. In some  
26 cases, providers also cause harm to consumers by instructing them  
to stop communicating with their lenders and servicers.

1 FTC Mortg. Assistance Relief Servs. Final Rule, 75 Fed. Reg. 230, 75097 (Dec. 1, 2010).

2 30. In 2010, the Government Accountability Office (“GAO”) issued a report on the for-  
3 profit debt settlement industry. Bearing the illustrative title “DEBT SETTLEMENT: Abusive,  
4 and Deceptive Practices Pose Risk to Consumers,” the report outlined the GAO’s investigation  
5 of twenty debt settlement companies, in which GAO staff members had posed as indebted  
6 consumers. The GAO “found the experiences of its fictitious consumers to be consistent with  
7 widespread complaints and charges made by federal and state investigators on behalf of real  
8 consumers against debt settlement companies engaged in fraudulent, abusive, or deceptive  
9 practices.”

10 **B. The Meracord Enterprise**

11 31. In order to vastly grow its customer base, while shielding itself from the scrutiny and  
12 complaints of those it defrauds, Meracord partners with an elaborate network of Front DRCs.  
13 Meracord uses its Front DRC network to sign up desperate and unsuspecting consumers who are  
14 looking for relief from the overwhelming stress of their indebtedness.

15 32. Typically, a consumer will sign up with a Front DRC representing itself as a single  
16 debt-relief company. Front DRCs seek customers through unsolicited phone calls, email, or mail,  
17 as well as internet, television, and radio advertising claiming to offer relief for consumers  
18 saddled with overwhelming debt or homeowners struggling to pay their mortgages.

19 33. Only later, if ever, does the consumer discover that there are multiple companies  
20 involved in the process. The relationships between the various companies are purposely obscured  
21 to prevent the consumer from discovering the complicated schemes.

22 34. With Meracord’s knowledge and approval, the Front DRCs falsely represent to the  
23 consumer that Meracord is an independent, unbiased “payment processing” company. Meracord  
24 itself affirms these misrepresentations and uniformly and falsely holds itself out to consumers as  
25  
26

1 “objective” and completely “independent” from its Front DRCs. In actuality, as illustrated  
2 below, close relationships exist between Meracord and its network of Front DRCs:

- 3 (a) Meracord promotes, establishes, maintains, and manages debt-relief payment  
4 servicing accounts on behalf of consumers as an integral component of debt-  
5 relief programs marketed by its Front DRCs;
- 6 (b) Meracord invites select Front DRCs to join its “VIP Club” and provides these  
7 Front DRCs with free industry research and free analyses of their “consumer  
8 portfolio[s];”
- 9 (c) Meracord treats major debt-relief sales channels to VIP events;
- 10 (d) Meracord provides the software through which customers enrolled by the Front  
11 DRCs monitor their escrow accounts and approve creditor settlements, in the  
12 relatively rare circumstances where such settlements actually occur;
- 13 (e) Meracord’s profits are dependent on increasing the number of debt-relief  
14 customers signed up by the Front DRCs because each such customer is also  
15 *required* to sign up for Meracord’s services;
- 16 (f) Despite Meracord’s express representation that the Front DRCs do not act as its  
17 “agents,” the Front DRCs act under Meracord’s direction and control when they  
18 provide customers with “Sign-Up Agreements” on its behalf;
- 19 (g) Despite Meracord’s express representation that it does not act as an “agent” for  
20 its Front DRCs, Meracord in fact processes automatic withdrawals from  
21 customer bank accounts and distributes unlawful fees back to the Front  
22 DRCs—all supposedly pursuant to dubious “agreements” between the Front  
23 DRCs and customers and, upon information and belief, according to express  
24 agreements between Meracord and the Front DRCs;
- 25  
26

1 (h) Meracord is deeply intertwined with the Front DRCs. Meracord’s CEO, Linda  
2 Remsberg, often attends debt-relief industry events on behalf of Meracord,  
3 where she serves on panels alongside representatives of the Front DRCs, and,  
4 upon information and belief, describes Meracord and the Front DRCs as  
5 engaged in the joint endeavor of recruiting debt-relief customers.

6 (i) For example, in April 2011, Remsberg attended a conference of The  
7 Association of Settlement Companies (“TASC,” which shortly thereafter  
8 changed its name to the American Fair Credit Council). At the TASC  
9 conference, Remsberg served on a panel with four other panelists—all four  
10 of whom represented Front DRCs. One of the panelists, Andrew Houser,  
11 was CEO of Freedom Debt Relief, a Front DRC which at the time had  
12 already been investigated by the Washington State Attorney General’s  
13 Office for violations of Washington consumer protection laws.

14 (ii) During the panel discussion at the TASC conference, on information and  
15 belief, Remsberg referred to her company and the Front DRCs as part of a  
16 joint endeavor, explaining that “[our customers] feel *we* are better at  
17 negotiating than they are. That’s why they sign up with *us*,” and advising  
18 that business success for the endeavor depends on “who *we* are enrolling”  
19 and “how fast are *we* [are] delivering results.” (Emphasis added.)

20 35. The standardized contracts provided to consumers by the Front DRCs contain, at the  
21 very least, an agreement for debt-relief services as well as a Meracord “Sign-Up Agreement,”  
22 and often contain a myriad of other confusing forms.

23 36. The debt-relief programs described in these agreements universally involve the  
24 following material elements:  
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- 1 (a) The consumer agrees to pay specified debt relief fees that, unbeknownst to the  
2 consumer, are illegal and *per se* unfair, but generate large profits for the  
3 Meracord Enterprise;
- 4 (b) In addition to the debt-relief fees, Meracord charges the consumer unlawful fees  
5 to maintain and manage the trust account necessary for the operation of the  
6 debt-relief program;
- 7 (c) The trust account is established for the purported purpose of accumulating  
8 funds with which to pay creditors after the Front DRCs have ostensibly  
9 negotiated more favorable terms on behalf of the consumer;
- 10 (d) Meracord is authorized to automatically transfer periodic (usually monthly)  
11 payments from the consumer's personal bank account into the trust account;
- 12 (e) The program's success and the consumer's ability to financially afford the  
13 monthly debt-relief program payments generally presupposes that the consumer  
14 makes payments into the trust account *instead* of paying creditors directly,  
15 resulting in the consumer falling further and further behind on his or her debt  
16 repayment obligations;
- 17 (f) Meracord is also authorized to automatically and periodically debit the trust  
18 account to pay the exorbitant debt-relief fees specified in the debt-relief  
19 agreement and "Sign-Up Agreement;"
- 20 (g) The fees usually fully deplete consumers' monthly payments for the first  
21 several months of participation in the program;
- 22 (h) In almost all cases, the consumer would be far better off simply directing the  
23 monthly payments to his or her creditors directly, thereby (1) saving the fees  
24 that are illegally, unfairly and deceptively extracted by the Meracord  
25  
26

1 Enterprise; (2) preventing the further accumulation of compounded interest; and  
2 (3) preventing or delaying further default on the debt.

3 37. In addition to charging illegal fees, the contracts used by the Front DRCs, contain  
4 false, misleading, and illegal statements. For example, the contracts, along with the claims made  
5 by the Front DRCs' salespeople, often

- 6 (a) Mislead customers into thinking that the debt-relief process will be handled by  
7 attorneys, or that the Front DRCs are "backed by" law firms;
- 8 (b) Fail to disclose with appropriate specificity the nature of the fees to be charged  
9 and when such fees will be incurred;
- 10 (c) Make false and/or misleading claims about the "success rates" of the programs;
- 11 (d) Make false and/or misleading statements about the length of time it will take to  
12 complete the program;
- 13 (e) Make false or misleading promises about the percentage of the customer's debt  
14 that the company will be able to settle, the amount by which the customer's  
15 monthly payment will be reduced, or the extent to which the terms of the  
16 customer's loan will be modified;
- 17 (f) Make false or misleading statements about the factors that affect the customer's  
18 credit score and the impact of the debt-relief program on that score;
- 19 (g) Make false or misleading statements that claim or suggest that the Front DRC is  
20 affiliated with nonprofit or government agencies or programs intended to help  
21 consumers, or that the Front DRC is affiliated with the customer's creditors;  
22 and
- 23 (h) Fail to make legally required disclosures regarding the debt-relief services to be  
24 provided.
- 25  
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1           38. Moreover, the Front DRCs' salespeople often pressure consumers into signing (or "e-  
2 signing") the contracts quickly, without any meaningful opportunity to review the terms; and the  
3 contract terms are often so confusingly worded as to be unintelligible to the average consumer.

4           39. Meracord knows that the contracts used by its Front DRCs are fraudulent and illegal,  
5 but nevertheless continues to process payments according to the terms of those contracts.

6 Meracord's knowledge is self-evident because Meracord:

- 7           (a) processes payments pursuant to the contracts used by its Front DRCs, and  
8           therefore has direct knowledge of the fraudulent and illegal nature of the  
9           contracts;
- 10           (b) has produced copies of the contracts in prior litigation, demonstrating that it has  
11           the unlawful contracts in its possession;
- 12           (c) is acutely aware of the enormous volume of consumer complaints regarding  
13           these fraudulent contracts and the false claims made to enroll consumers in debt  
14           relief programs offered by the Meracord Enterprise. There are dozens, if not  
15           hundreds, of consumer complaints on the Internet involving the scheme  
16           perpetrated by the Meracord Enterprise; and
- 17           (d) is engaged in a debt-relief "payment processing" business that is characterized  
18           by astronomically high churn rates (canceled accounts as a percentage of active  
19           accounts). Meracord has internally determined that its churn rates invariably  
20           exceed 60% and on occasion have exceeded 70%, which is indicative and  
21           symptomatic of widespread fraud;
- 22           (e) is aware of regulatory enforcement actions against Front DRCs with whom it  
23           does business; in at least some cases, Meracord has unlawfully facilitated the  
24           transfer of accounts from Front DRCs under investigation to new or other Front  
25           DRCs under common control in order to evade regulatory action.
- 26



1 40. Front DRCs tout their association with Meracord as proof of their *bona fides* and to  
2 convince consumers that they are legitimate providers of debt-relief services.

3 41. The following are just a few examples of the complaints that consumers have posted  
4 on the Internet:<sup>1</sup>

5 (a) “I am in a terrible debt situation, I used [Meracord] to help me get my debt  
6 collection off my back giving them \$240.00 a month, now my situation has  
7 grown worst, and have paid them \$480.00 I can’t keep my payments up with  
8 [Meracord], I never got any thing done from them and I asked for a refund and  
9 they said no, I felt like all my money went into helping my self get out of debt  
10 and now they have made it impossible for me to pay anybody now I am in a rut.  
11 Why can’t I get some of it back, not even \$5.00 and they no longer want to help  
12 me. I just know that my creditors are still calling and I don’t know what to do.”

13 (b) “[Meracord] is doing business with Lloyd Ward Law Firm. Lloyd Ward Law  
14 Firm was suppose to settle my debt and 2 months have gone by and they have  
15 not settled any debts. Therefore, they breached their contract. [Meracord] does  
16 business with them (I believe they are run by the same person/people. They say  
17 they are an “independent” company). They made 2 deductions from my account  
18 and refuses to give the money back stating fees for services by LLOYD WARD.  
19 They didn’t do anything for me as contracted. Yet, [Meracord] is refusing to  
20 refund the money. How independent is that? Just because you have a separate  
21 Federal ID number, doesn’t mean you aren’t owned by the same people.  
22 However, I will be filing complaints against both companies. DO NOT DO  
23 ANY BUSINESS WITH LLOYD WARD LAW FIRM OR [MERACORD].  
24 THERE IS DISHONESTY BY BOTH. RESEARCH THEM ON THE NET.

25  
26 <sup>1</sup> The complaints are reproduced verbatim, including grammatical and spelling errors.

1 YOU FIND THERE ARE THE SAME TYPES OF COMPLAINTS AGAINST  
2 BOTH.”

3 (c) “I went to [Meracord] for help on lowering interest on credit cards and they  
4 started taking money out of my account every month in the amount of \$376.38  
5 and referred me to another company named attorney at law associates Lloyd  
6 ward firm for help on the credit cards. The Lloyd ward customers services  
7 employees don't want to get in touch with the creditors over the phones, their  
8 way is over the mailing letters instead and not talking for the clients and keep  
9 taking my money of \$376.38. I joined them in March the [Meracord] and the  
10 Lloyd wards for help. The account collected from me about three grand already  
11 and I just closed it on October 27, 2010 because the Lloyd wards and  
12 [Meracord] were taking my money and not helping us. . . . I tried to file a  
13 complaint online with the better business bureau and they want so much  
14 information, the money was being debit monthly out of my account. Why do I  
15 have to prove how crooked these companies are.”

16 (d) “This Company is a big Scam and I think a class action law suite should be  
17 started even if it take years to finish. I encouraged my mother and mother-in-  
18 law to enroll and place my name as a contact to assist with both accounts. Me  
19 and my wife were providing financial support with the accounts, which my  
20 mother-in-law suddenly died last month and the company has had us fax  
21 documents as proof. We have sent death certificate, and power of attorney, but  
22 the company request q new document everytime because they don't want to  
23 release the money that's sitting in the trust account. Since the company appears  
24 to be a scam, I had my mother to cancel her account and all they refunded was  
25 \$600 and paid off 1 debt in over a year after I provided a \$216 payment to her  
26

1 for lloydward/[Meracord] every month. The second debt they claim to be paying  
2 an arrangement with has yet to receive the two \$184 payments they claim to  
3 have paid. After all this, we didn't discover the lies until my wife contacted  
4 them that her mother died and requested the funds that were in the trust  
5 account. Currently we are seeking an attorney to persue the lloydward firm for  
6 the mental anquish they are creating for my wife. At this point it's not the small  
7 amount of money, but it's the principal that they are scamming many people  
8 including the disabled elderly.”

9 (e) “Three years ago, I contracted the services of Clear Debt Solution to negotiate  
10 and reduce my credit card debt. Per the agreement, I made monthly payments to  
11 a third-party account for use in the debt settlement. Over \$3000 was collected  
12 up front by CDS and [Meracord] Service Center, the party in control of my  
13 account. At the end of the program, for which I had contributed \$317 per month  
14 for over two years, only one account was settled by CDS. When a second  
15 creditor sued, CDS did not respond to my requests for information in a timely  
16 manner. After I lost the suit, my account was wiped out, plus I had to pay more,  
17 to pay the court-ordered settlement. Three accounts remained unsettled. As I  
18 had made no payments nor attempts to communicate with the credit card  
19 companies, per my agreement with CDS, each balance had doubled over the  
20 two years. As I see it, these people made \$3000 and I became deeper in debt  
21 than when I started.”

22 (f) “Lifeguard Financial is a fraud. They make claims that they can settle your debt  
23 for 50 cents on the dollar of your debt. They claim that they neogiate your debt  
24 with your creditors, a lie. The client does all the work contacting the creditors  
25 that Lifeguard is handling the clients debt. Lifeguard takes monthly payments  
26

1 from your checking account through a escrow agent, namely [Meracord]. The  
2 problem is most of all of your payments through [Meracord] go back to  
3 Lifeguard Financial as fees leaving little funds to accumulate to go towards the  
4 settlement with the creditors. I was in this program almost a year and found that  
5 little amount of my monthly payments were accumulating towards settlement.  
6 In another instance, I was threatened with a lawsuit from one of my creditors, I  
7 was told by their legal department to respond to the court clerk sending me  
8 notice of the potential lawsuit which I also had to copy to the plaintiffs  
9 attorneys. Lifeguard is of no help. In additon the creditors explained to me that  
10 they refuse to deal with Lifeguard Financial. So what does that tell you. I will  
11 file a complaint with Florida's attorney general. I don't think that contacting  
12 BBB will get anywhere. I cancelled my contract with Lifeguard Financial and  
13 expected a cordial converstation and that they will refund of my monies that I  
14 paid them. Instead I got this "pitbull" whose name is "Robert" on the telephone  
15 that started screaming at me about cancelling the contract with threats of suing  
16 me. I ended up screaming back at him, needless to say at this point I out several  
17 thousand dollars. If there is a class action suit, I want to be part of it."

18 (g) "Back in March of 2008 I entered into a contract for debt relief with ClearDebt  
19 Results. I first spoke with a Robert Till, then a Patrick Schlosser, then I was  
20 passed to James Callahan, then again to Tiffany Shrum, all who appear to no  
21 longer work at this company. This company has taken \$1300 dollars from me,  
22 provided no service as they say they were going to and they have a comapny  
23 called [Meracord] Service Center continue to take \$100 a month directly out of  
24 my check. I want answers as to why they aren't taking care of these credit  
25  
26

1 issues as they stated they would. None of these creditors have been paid and I  
2 continue to get harrassing phone calls.”

3 (h) “On 09/16/09, I signed a contract with Covenant Debt Solutions to have them  
4 settle my unsecured debt and credit card accounts. Covenant used the services  
5 of [Meracord] Service Center to deduct monies from my checking account to  
6 payoff my debt. [Meracord] began to deduct \$535.74 on the 17th of each  
7 month, beginning on 10/17/2009. The monthly deduction included \$390.93 for  
8 service fee, \$14.50 for maintenance fee and \$130.31 to be placed in my trust  
9 account. It was very difficult to speak to Covenant’s customer service  
10 department and I decided to cancel their services on 11/30/09. I spoke with  
11 “oscar” who stated my trust account funds would be mailed to me within 7-10  
12 days and pursuant a phone call from Brian. I waited but no check was sent to  
13 me. I phoned Brian who stated that he was not in charge of approving issuance  
14 of any checks and that he would have a supervisor contact me. I never received  
15 a phone call from a Covenant supervisor. To this date, no check has been  
16 issued/received from Covenant or [Meracord]. I placed a stop payment with my  
17 bank to prevent [Meracord] to continue taking my monies.”

18 (i) “I was contacted by 1st. United Consultant about lowering my mortgage  
19 payment each month. They told me that they could get it down to \$622.11 a  
20 month. I would set up payments to Meracord and they would have an  
21 agreement with the company that I pay my mortgage to and could get it lower.  
22 Like a idiot I did but when I got a statement from my mortgage company saying  
23 they did not recieve my payment for Sept. I knew I was in trouble. I tried to  
24 contact Lee Arthur at 1st United by fax, phone and email could not reach him  
25 he did not return email back to me. I was told I could cancel any time and get  
26

1 my money back all I had to do was send a letter. No address for them so I faxed  
2 none of the faxes would go through. I contacted Meracord by email got a reply  
3 back no problem my account is closed and any money that they have that  
4 doesn't go to the service provider would be returned to me within 24 hrs after  
5 the Oct. 24th. That came and went, I contacted them again I got a message back  
6 saying account is closed and 0 money to be returned. So I called I talked to  
7 some one there that told me my account is closed and they no longer do  
8 business with 1st United because of the way they conduct business, so longer  
9 wanted to be associated with them. That they sent my money to 1United since  
10 they were the ones that hired them. Supposed to be for fees or something which  
11 is a lie they never paid my Sept. payment so now I am behind and could lose  
12 my home. Lee Arthur is a thief and a liar. I also believe Meracord still is  
13 associated with them.”

14 (j) “Meracord united consultant all that work here rip me off 2380.00 setting up  
15 fake companies and collecting money Internet. Meracord is not licensed in the  
16 State of Maine. Check better business . The att general is working on mine. I  
17 am loosing my home because of them. All I asked was for mine money back.  
18 Now its personal now. I am going to the media with my story and proof I kept  
19 all my paperwork and my bank statements. I have hired an attorney I am going  
20 to sue for the house. It was put several disabled people home less and penniless.  
21 If this is a company that you put your money in you need help They haven't  
22 even responded to the paperwork that was sent to them from the Attorney  
23 General Office. They knew United Consultant was a fake company. They check  
24 them out before they agree to collect money for them. If this has happened to  
25 you go to your att general and go to the media.”  
26

1 (k) “suray of United consultation was my contact person. suray sent me paperwork  
2 to mod my home, I wasn’t behind but had high % rate. My mom had to move  
3 because of medical reasons so I was paying out all the income but 100 dollars,  
4 so surray was going to mod my mortgage to make it more comfortable and  
5 affordable. Meracod took over 2000 out of my account I thought it was going to  
6 my mortgage. Until they called me and we talked. MERACORD is also fake  
7 they just take your money, AND DO NOTHING. but help you loose your  
8 house. we are losing our home and I have gone to the media for help no else  
9 seems to really care, Meracord didn’t stop practices with united Consultant  
10 until everyone started complaining. Don’t they check their companies they  
11 work for!!!!!!!!!!!!!!!!!!!!!! anyone dealing with these companies BEWARE  
12 their not what they seem. All I wanted was my money back now its personal.  
13 They won’t even talk to me.”

14 42. Instead of investigating these complaints and returning the money wrongfully taken  
15 from consumers, Meracord has devoted its energy to posting false and misleading rebuttals to  
16 these complaints. These rebuttals falsely claim that:

- 17 (a) Meracord “takes on the payment servicing obligations as an independent and  
18 objective company and does not act at the direction of the [debt-relief  
19 companies],” despite the fact that Meracord withdraws fees from customer  
20 payments *at the behest of* its Front DRCs and then provides those fees to the  
21 Front DRCs;
- 22 (b) Meracord is “not contracted with” its Front DRCs, despite the fact that, on  
23 information and belief, Meracord and its Front DRCs enter into contracts  
24 related to the debt-relief programs administered by both entities;  
25  
26

1 (c) Meracord “follows the instructions stated in the Meracord contract and at no  
2 time acts without authorization from the consumer,” despite the facts that (1)  
3 many times the contracts signed by consumers do not contain clear or specific  
4 schedules of when fees will be withdrawn, and thus Meracord’s withdrawal of  
5 fees must necessarily be the result of separate (unilateral) instructions from the  
6 Front DRCs; and (2) Meracord facilitates the transfer of consumers’ trust  
7 accounts from one Front DRC to another without authorization from those  
8 consumers.

9 43. Meracord perpetuates the fraud by making false and misleading statements of its own  
10 through its website, emails and letters to customers, and the Sign-Up Agreements given to  
11 customers on behalf of Meracord by the Front DRCs. These statements include false assurances  
12 that customers are fully “in control” of their accounts, and that Meracord will not disburse any  
13 funds without the customer’s permission, when in fact Meracord and its Front DRCs are in  
14 control of the debt settlement accounts, routinely disbursing money to themselves for unearned  
15 and illegal fees.

16 44. Customers who discover the fraudulent activities of the Meracord Enterprise find  
17 themselves fighting an uphill battle and often are unable to disentangle the labyrinthine scheme  
18 to identify the party ultimately responsible for the scam. The ephemeral Front DRCs disappear,  
19 stop answering phone calls, disclaim responsibility, or resort to outright threats and intimidation.  
20 Meracord also refuses to admit any responsibility for the fraud in which it was complicit. As a  
21 result, indebted consumers are left in *worse* positions than if they had never sought help at all,  
22 having often paid thousands of dollars in exorbitant and illegal fees that could have gone toward  
23 satisfying their debts.



1 45. Meracord profits from the fees generated by each consumer enrolled by the Front  
2 DRC members of the Enterprise, knows that the fees are generated by fraudulent and deceptive  
3 means, and knows that often the fees charged are flatly illegal.

4 46. The Front DRCs in the Meracord Enterprise include entities such as:

5 (a) Texas attorney Lloyd Ward and his various business entities (collectively,  
6 “Lloyd Ward”), whose debt settlement business has been the subject of multiple  
7 lawsuits and government investigations, including (1) a lawsuit by a Kansas  
8 consumer who was awarded \$100,000 in damages against Ward for violation of  
9 Kansas consumer protection statutes; (2) an investigation by the Connecticut  
10 Department of Banking that resulted in a \$500,000 civil penalty for violations  
11 of that state’s statutory requirements for debt adjusters; and (3) an ongoing  
12 disciplinary petition filed by the Texas Commission for Lawyer Discipline,  
13 alleging six separate violations of the Texas Disciplinary Rules of Professional  
14 Conduct.

15 (b) Freedom Debt Relief, which has had 251 complaints filed with the Better  
16 Business Bureau in the last three years and has been the subject of an  
17 investigation by the Washington Attorney General that resulted in a March 3,  
18 2011 consent decree. The consent decree “stems from the Attorney General’s  
19 claims that Freedom Debt Relief in some cases charged consumers more than  
20 the allowed 15 percent of the total enrolled debt, taking its fees before the time  
21 permitted and failing to adequately inform consumers about how the program  
22 worked violating Washington’s debt adjusting act and consumer protection  
23 act.” As a part of the consent decree, Freedom Debt Relief agreed to pay  
24 approximately \$800,000 in restitution for Washington consumers, and was  
25 forbidden from contracting with new Washington customers without notifying  
26 the Attorney General’s office.

1 (c) 1st United and New Life Financial Solutions and other associated companies,  
2 which were the subject of a suit by the Federal Trade Commission alleging  
3 twelve counts of violations of federal law stemming from the companies'  
4 deceptive practices. The complaint alleges:

5 Defendants offer a substantial reduction in consumers'  
6 monthly payments (and outstanding principal amounts), but  
7 rather than helping consumers address their debt-related  
8 challenges, Defendants dupe distressed consumers into  
9 paying thousands of dollars based on false promises and  
10 misrepresentations. Defendants mislead consumers into  
11 thinking that their services come at little or no cost, and that  
12 consumers' payments will be held in escrow pending  
13 resolution of debt settlement agreements with their creditors.  
14 In reality, much, if not all, of these payments are taken by  
15 Defendants up-front, as their undisclosed fee. In the end,  
16 Defendants provide little, if any, meaningful assistance to  
17 resolve consumers' debt, and consumers are left worse off  
18 after signing up- and paying- for Defendants' services.

19 47. The Front DRCs in the Meracord Enterprise profit from the fees generated by  
20 fraudulently inducing consumers to sign up for their debt-relief “services” and from their  
21 association with the Meracord Enterprise because they use Meracord to legitimize their services  
22 and convince consumers that their money will be safe in a Meracord account that only the  
23 consumer can control. In addition, because Meracord usually automatically deducts payments  
24 from consumers' bank accounts, the Front DRCs are more likely to reap illicit gains from  
25 consumers automatically after signing them up, as opposed to a system where consumers would  
26 later—after having reviewed and contemplated the “services” being offered—have to make a  
separate payment.

21 48. In order to evade detection, thwart regulatory actions, and continue to victimize  
22 financially distressed consumers, the Front DRCs that are members of the Meracord Enterprise  
23 regularly enter into agreements between and among themselves to transfer “portfolios” of  
24 victims. For example, in late 2010, one of the Front DRCs involved in Cheryl's case, “The Debt  
25 Answer” faced numerous complaints and regulatory issues, including an investigation by the  
26 Connecticut Department of Banking. Instead of complying with the law, The Debt Answer sold

1 its portfolio of 3,407 “active” debt settlement victims’ accounts to Lloyd Ward on January 1,  
2 2011. The Debt Answer itself had apparently earlier purchased an undisclosed number of these  
3 victims’ accounts from another Front DRC, Simon & Bocksch.

4 49. On information and belief, Meracord facilitates these fraudulent “portfolio” transfers  
5 by wiring the unlawful fees to the new entity without any authorization from the consumer  
6 account holders, who generally remain unaware that their accounts have been transferred. In fact,  
7 on at least several occasions, Meracord account representatives have recommended such  
8 transfers upon learning that a Front DRC has encountered legal issues and “is going to be closing  
9 the doors.” By facilitating—and in some cases recommending—these wholly fraudulent  
10 “portfolio” transfers, Meracord ensures that its steady flow of unlawful fees continues.

11 50. Attorney-run Front DRCs have a special role in the Meracord Enterprise. By  
12 marketing themselves as law firms, they are perceived by consumers, including Cheryl, as more  
13 trustworthy. Moreover, non-attorney Front DRCs often affiliate with an attorney-run Front DRC  
14 in an attempt to evade regulations in states that prohibit debt settlement, which often have  
15 exceptions for practicing attorneys. Thus, by spuriously affiliating itself with a law firm, a non-  
16 attorney Front DRC may extend the period during which it can avoid regulatory scrutiny.

17 51. Front DRCs also coordinate and communicate directly with each other through the  
18 formation of industry trade associations whose primary purpose is to spread misleading  
19 information about the debt-relief industry and to issue bogus “certifications” to Front DRCs.  
20 Front DRCs then use these bogus certifications to convince consumers that their activities are  
21 legitimate. The following is an actual Frequently Asked Question (FAQ) from the website of one  
22 of these bogus trade associations, the United States Organizations for Bankruptcy Alternatives,  
23 Inc.:

24 Why do the Debt Settlement Companies I am researching seem to  
25 all have failing grades with the Better Business Bureau (BBB)?

26 In an unfortunate turn of events, the BBB recently implemented a  
new ‘scoring model’. This scoring model dictates that certain

1 industries be graded as a whole. Unfortunately in the case of debt  
2 settlement companies, this model is quite severe, and has any  
3 company, regardless of their best-practices operations or good  
4 track record, restricted from achieving any rating above C-,  
5 USOBA supports the theory behind the BBB; a consumer should  
6 have a resource to compare companies in any industry based on the  
7 company's merits alone. At this time, the BBB ratings of Debt  
8 Settlement companies tells a consumer little or nothing about a  
9 company's ethics or reputability. Several USOBA members and  
10 other Debt Settlement entities were asked to "give back"  
11 prestigious awards and achievements such as the BBB  
12 Accreditation and BBB Torch Award. Prior to the scoring model  
13 change, the companies were exemplary in the eyes of the BBB. If  
14 you wish to include the BBB in your research of a Debt Settlement  
15 provider, we suggest you look carefully at the complaint resolution  
16 and not the arbitrary score.

17 52. As the above allegations make clear, the Front DRCs that are part of the Meracord  
18 Enterprise are directly connected to each other through bogus trade associations as well as the  
19 formal and informal agreements described above. Thus, the Meracord Enterprise involves  
20 relationships between Meracord and the individual Front DRCs as well as relationships between  
21 and among the Front DRCs themselves—all evidenced by both the participation of Meracord  
22 Enterprise members in industry-wide events and trade associations, as well as the formal and  
23 informal agreements made among those members.

24 53. The Meracord conspiracy is a classic hub-and-spoke conspiracy which also involves  
25 relationships between the various spokes. Meracord serves as the hub of the Meracord  
26 Enterprise, entering into bilateral relationships with each Front DRC through which Meracord  
both directly engages in and facilitates the fraudulent and illegal activity of the Meracord  
Enterprise, as alleged herein. As discussed above, Meracord also causes and assists the various  
"spokes"—the Front DRCs—in communicating and conspiring with each other, all for the  
common benefit of the Meracord Enterprise and to the common detriment of its victims, whose  
accounts are involuntarily shifted from one dubious Front DRC to another, with Meracord's  
indispensable assistance, in order to hinder regulatory protective actions. These relationships  
between Front DRCs, many of which are facilitated by Meracord, benefit and advance the

1 Meracord Enterprise as a whole. Other relationships between the Front DRCs include their bogus  
2 trade associations and countless conspiratorial interactions between such Front DRCs at various  
3 debt-relief industry functions, including those attended and sponsored by Meracord.

4 **C. Injury to Plaintiff and the Class**

5 54. Cheryl's experience reveals the Meracord Enterprise's use of unscrupulous Front  
6 DRCs to recruit consumers for its fraudulent and unlawful debt-relief services.

7 55. Cheryl is a high school English teacher in Tucson, Arizona. In 2010, Cheryl found  
8 herself with over \$37,000 in credit card debt, which her family had accumulated during a  
9 seemingly endless series of unanticipated misfortunes. In the brief span of four years, Cheryl had  
10 lost two grandparents, her mother, and both her husband's parents; Cheryl's husband was  
11 hospitalized after a serious motorcycle accident; and Cheryl had lost her job due to budget cuts  
12 and declining enrollment at the private school where she taught. The unexpected costs associated  
13 with these events, along with her stepdaughter's college expenses, had driven Cheryl so far into  
14 debt that she was unsure how she would ever recover.

15 56. It was under these circumstances that Cheryl saw a television advertisement for The  
16 Debt Solution, a company that claimed it could reduce consumers' debts by negotiating on their  
17 behalf with creditors. The ad specifically touted the claim that these "negotiations" would be  
18 conducted by attorneys.

19 57. Believing that the attorneys at The Debt Solution could help her cope with her  
20 overwhelming debt, Cheryl called the number on the ad in April 2010 and was connected to an  
21 entity called The Debt Answer ("TDA"). The TDA phone salesperson told Cheryl that TDA had  
22 helped "thousands" of people just like her. The salesperson also indicated that with the help of  
23 their "legal team," TDA was able to get bank levies lifted, interest rates "significantly" reduced,  
24 and debts settled before lawsuits by creditors occurred.

25 . . .

26

1           58. After speaking with the salesperson, Cheryl received an email from Carl McAfee.  
2 McAfee identified himself as a “Senior Debt Analyst,” thanked Cheryl for inquiring about the  
3 company’s “debt-elimination programs,” and added: “You will be glad to know that our services  
4 are performed by the Law Office of Simon and Bocksch, the leading debt settlement firm in the  
5 United States, and [Meracord], a Fully Accredited Member of the BBB for over 25 years!”

6           59. Convinced that TDA could help, and reassured by the fact that lawyers would be  
7 negotiating with creditors on her behalf, Cheryl agreed to sign up. TDA asked Cheryl to obtain  
8 copies of her credit reports and sent Cheryl an email explaining how to do so. Approximately  
9 fifty minutes after Cheryl received the credit report email, “Senior Debt Analyst” Kelly McAfee  
10 sent her an email with a link to the documentation that Cheryl was requested to electronically  
11 sign. Cheryl clicked on the link and e-signed the documents, copies of which were then sent to  
12 her via email.

13           60. The TDA representative stayed on the phone while Cheryl electronically signed the  
14 contracts. The TDA representative told Cheryl that signing the documents would give TDA  
15 authorization to set up a trust account with Meracord but did not explain anything else about the  
16 contracts. Instead, he rushed Cheryl to sign them so TDA could start helping with her debts.

17           61. Cheryl “enrolled” six credit card accounts in the debt-relief program, totaling over  
18 \$37,500 in debt. The representative promised her that Simon & Bosksch’s negotiations with her  
19 creditors could cut that amount in half. He told Cheryl that they had successfully settled  
20 thousands of debts.

21           62. Within two weeks of contacting TDA, Cheryl received notice that one of her  
22 creditors, American Express, had filed a lawsuit against her to collect on her credit card debt.  
23 Cheryl had been assured that Simon & Bosksch would be handling interactions and negotiations  
24 with her creditors. Indeed, the “Frequently Asked Questions” portion of the “Welcome” packet  
25 sent to Cheryl by Simon & Bosksch contains the following: “Q. I just received a summons. What  
26

1 do I do? A. Please fax or email a copy of all documentation that you have received. Once we are  
2 in receipt of the paperwork, our attorneys will review it and will contact you within the next 48  
3 hours.” Cheryl immediately notified the law firm about the American Express lawsuit by  
4 telephone. She was told to fax a copy of the lawsuit to Simon & Bosksch and she did so the same  
5 day. The law firm never said anything else about the lawsuit, but she assumed they were  
6 handling it, since she understood them to be acting as her attorneys.

7 63. In August 2010, Cheryl received notice that one of her credit card accounts had been  
8 settled, and that the settlement would be paid in ten installments from her Meracord account,  
9 beginning on August 26. The email she received from Meracord told her she could view the  
10 settlement details and disbursement schedule via her “NoteWorld Reporter” account on  
11 Meracord’s website.

12 64. The following month, on September 13, 2010, Cheryl called Simon & Bosksch to  
13 notify the firm that another creditor—Capitol One—had filed suit against her. Simon & Bosksch  
14 asked Cheryl to fax them the information, which she did immediately. She also sent Simon &  
15 Bosksch a fax asking them to contact the attorneys from American Express. Simon & Bosksch  
16 never responded to her regarding the lawsuits.

17 65. On September 14, 2010, Cheryl received an email from Simon & Bosksch saying that  
18 her account had been transferred to Chad Waclawczyk in the “Summons Department” at TDA.  
19 The same day, she received an email from Waclawczyk in which he told her that he was in fact  
20 with the Law Office of Lloyd Ward and Associates (“Lloyd Ward”).

21 66. Waclawczyk asked Cheryl to forward any creditor collection letters or other  
22 correspondence she had received from her creditors, and also asked her to sign a document called  
23 “Authorization for Debt Negotiation,” which he said was required “in order to negotiate on [her]  
24 behalf.”



1           67. Waclawczyk also sent Cheryl a document called a “Summons Response” form and  
2 asked her to complete one for each of her suing creditors (American Express and Capital One),  
3 and to send the documents to the court where the lawsuits were pending and to the creditors. The  
4 fact that Lloyd Ward was giving her documents to give to the courts only served to further  
5 convince Cheryl that Lloyd Ward—like Simon & Bosksch before it—was serving as her attorney  
6 in dealing with the creditor lawsuits.

7           68. Cheryl returned all of the documents requested by Lloyd Ward on September 20,  
8 2010, and informed the firm that she was mailing the Summons Responses to the court. She  
9 never heard back from Lloyd Ward about the lawsuits, and on December 6, 2010, Capital One  
10 succeeded in getting a default judgment against Cheryl in the amount of \$5,942.89 plus interest.  
11 As of March 21, 2011, the total amount of the judgment was \$6,376.76. That judgment then  
12 resulted in a lien against Cheryl’s house.

13           69. It was two months before Cheryl heard anything from Lloyd Ward again. On  
14 November 16, 2010, Lloyd Ward sent Cheryl an email stating only that “notification letters have  
15 been sent to your creditors,” without further explanation.

16           70. Nearly another two months passed and, on January 7, 2011, Cheryl received an email  
17 from Tatiana Paulmeno, a Lloyd Ward employee, indicating that she had completed her  
18 “monthly account review” of Cheryl’s account, and asking Cheryl to pay more money into her  
19 Meracord account.

20           71. Lloyd Ward subsequently sent Cheryl an email on February 16, 2011, informing her  
21 that her escrow account would now be handled not by Meracord, but by Global Client Solutions  
22 (“GCS”). Cheryl’s account was transferred to GCS sometime in late March or early April 2011.

23           72. On May 25, 2011, over a year since Cheryl signed up for the “debt settlement”  
24 program and nine months since she had heard anything about any settlements or even potential  
25 settlements with her creditors, Cheryl had heard nothing from the firm(s) she believed to be  
26



1 acting as her attorneys about the status of the creditor lawsuits against her. Furthermore, she was  
2 continuing to receive correspondence from Capital One's lawyers asking why they had not heard  
3 from her and informing her that there had been a lien placed on her house. Cheryl emailed Lloyd  
4 Ward about these concerns, and nearly a week later received an email from yet another Lloyd  
5 Ward employee, Vallery Mann, asking Cheryl to call her.

6 73. Cheryl attempted to return Ms. Mann's call. She was told that Ms. Mann was not  
7 available and her messages were never returned.

8 74. On June 1, 2011, Cheryl called Lloyd Ward and cancelled her account. In July, she  
9 closed her bank account to stop the withdrawals.

10 75. Cheryl "enrolled" six credit card accounts with three different creditors in the "Debt  
11 Solutions" program, totaling over \$37,500 in debt. Of those accounts, only one was settled on  
12 her behalf. That account had a balance of \$7,118.68 when she enrolled it in the program, leaving  
13 over \$30,000 of her debts that were never settled. In addition, two of the three creditors had filed  
14 debt collection lawsuits against her, and one creditor obtained judgments against her that resulted  
15 in liens against her home.

16 76. Between April 2010 and April 2011, Meracord withdrew twelve monthly payments of  
17 \$474.93, for a total of \$7,123.95. Of that amount, \$2,533.00 was used to pay the one settlement  
18 achieved. When her escrow account was transferred from Meracord to GCS, it contained  
19 \$174.65, leaving \$3,641.16 that ostensibly went to pay "fees" to Meracord and the various  
20 entities that served as the Front DRCs. None of those fees were ever returned to Cheryl, despite  
21 the fact that she never received the benefits promised as a part of the program.

22 77. When, in desperation, Cheryl sought help to deal with her mounting debt load, she  
23 was relieved to find a company that claimed to use attorneys in order to negotiate settlements  
24 that would drastically reduce her debts. Instead of the one company she thought she was hiring to  
25 help her, however, Cheryl found a confounding array of debt settlement companies who took  
26

1 thousands of dollars from her, promising to settle her debts, and instead left her in a far worse  
2 position than when she started.

3 **V. CLASS ALLEGATIONS**

4 78. Cheryl brings this case as a class action on behalf of a Class consisting of all persons  
5 who, while residing in Arizona, established or on whose behalf was established an account with  
6 Meracord LLC (or any subsidiary thereof) from which Meracord processed any payments related  
7 to any debt-relief program. *See* Fed. R. Civ. P. 23(a) & (b)(3). Excluded from the Class are  
8 Meracord LLC, its officers and directors, members of their immediate families and their legal  
9 representatives, heirs, successors, or assigns, and any entity in which Meracord LLC has or had a  
10 controlling interest.

11 79. The members of the Class are so numerous that joinder is impracticable. While the  
12 exact number of Class members is presently unknown to Cheryl, and can only be ascertained  
13 through appropriate discovery, Cheryl believes that there are thousands of members in the  
14 proposed Class.

15 80. Cheryl's claims are typical of the claims of the members of the Class as all members  
16 of the Class are similarly affected by the Meracord Enterprise's conduct in violation of law that  
17 is complained of herein.

18 81. Cheryl will fairly and adequately protect the interests of the members of the Class and  
19 have retained counsel that are competent and experienced in class action litigation.

20 82. Certification under Fed. R. Civ. P. 23(b)(3) is appropriate because common questions  
21 of law and fact exist as to all members of the Class and predominate over any questions solely  
22 affecting individual members. Among the questions of law and fact common to the Class are:

- 23 (a) Whether Class members' debt settlement agreements with members of the  
24 Meracord Enterprise are *void ab initio*;

- 1 (b) Whether RICO was violated by Meracord's acts and omissions as alleged  
2 herein, including:
- 3 (i) Whether Meracord violated 18 U.S.C. § 2314, relating to the interstate  
4 transportation of stolen property;
- 5 (ii) Whether Meracord violated 18 U.S.C. § 1341, relating to mail fraud;
- 6 (iii) Whether Meracord violated 18 U.S.C. § 1343, relating to wire fraud;
- 7 (iv) Whether Meracord violated 18 U.S.C. § 1344, relating to bank fraud; and
- 8 (v) Whether Meracord's standardized practices with respect to the  
9 maintenance and management of Class members' trust accounts violate  
10 RICO;
- 11 (c) Whether the fees charged by the Meracord Enterprise are unlawful;
- 12 (d) Whether Meracord conducted or participated in the conduct of the Meracord  
13 Enterprise's affairs through a pattern of racketeering within the meaning of 18  
14 U.S.C. § 1962(c).
- 15 (e) Whether Meracord conspired with the other members of the Meracord  
16 Enterprise to violate RICO;
- 17 (f) Whether the statute of limitation for Cheryl's and Class members' claims  
18 should be properly tolled;
- 19 (g) Whether Defendants should be estopped from relying on the statute of  
20 limitation for Cheryl's claims;
- 21 (h) Whether Meracord's wrongful conduct resulted in economic damage to Cheryl  
22 and members of the Class, and the amount of said damages;
- 23 (i) The proper measure of disgorgement and/or actual and/or punitive damages  
24 and/or restitution; and
- 25 (j) Whether Fidelity & Deposit Company of Maryland is secondarily liable for  
26 Meracord's violations as alleged herein to the extent of their surety obligations.

1 83. A class action is superior to all other available methods for the fair and efficient  
2 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as  
3 the damages suffered by individual Class members may be relatively small, the expense and  
4 burden of individual litigation make it impossible for members of the Class to individually  
5 redress the wrongs perpetuated on them. There will be no difficulty in the management of this  
6 action as a class action.

7 **VI. CLAIMS FOR RELIEF**

8 **COUNT I**

9 **(Violation of 18 U.S.C. § 1962(C))**

10 84. Cheryl incorporates by reference all preceding paragraphs as if fully set forth herein.

11 85. This Count, which alleges substantive violations of RICO, as provided in 18 U.S.C.  
12 § 1962(c), is asserted against Meracord as a conspirator and tortfeasor, and against Fidelity &  
13 Deposit Company of Maryland in its capacity as surety bondholder, on behalf of the Class.

14 86. Cheryl, Class members, and Meracord are each “persons” as that term is defined in 18  
15 U.S.C. § 1961(3).

16 87. The RICO “enterprise” is an association-in-fact (the “Meracord Enterprise”) and  
17 consists of Meracord and its Front DRCs, including but not limited to Lloyd Ward & Associates,  
18 Simon & Bocksch, Debt Source Solutions, TDA, and others engaging in fraudulent and  
19 deceptive practices designed to enroll consumers in useless “debt-relief” plans and extract  
20 unearned fees from them (the “Meracord Scheme”). The Meracord Enterprise is an ongoing and  
21 continuing business organization consisting of both corporations and individuals that are and  
22 have been associated for the common or shared purposes of advancing the Meracord Scheme.  
23 Members of the Meracord Enterprise operate businesses that perform services and have business  
24 relationships that are distinct from the pattern of racketeering alleged herein.

1 88. The Meracord Enterprise is an ongoing organization that engages in, and whose  
2 activities affect, interstate commerce and that has an existence apart from the racketeering acts  
3 set forth herein.

4 89. While Meracord participates in and is a member and part of the Meracord Enterprise,  
5 it also has an existence separate and distinct from the Meracord Enterprise. For example,  
6 Meracord maintains a business servicing private mortgages that is separate and distinct from the  
7 Meracord Enterprise.

8 90. In order to increase their revenue and profits, members of the Meracord Enterprise  
9 need to enroll a continuous stream of customers into their debt-relief programs. The Meracord  
10 Enterprise provides that stream by fraudulently inducing Class members to enter into illegal  
11 contracts through which members of the Meracord Enterprise extract illegal fees directly from  
12 Class members' bank accounts.

13 91. A critical component of the Meracord Scheme is the use of the account management  
14 software that is supplied by Meracord and the insertion of the Meracord "contracts" into the  
15 contracts foisted upon consumers by the Front DRCs. Without these integral steps, the Meracord  
16 Enterprise would not have the ability to automatically withdraw thousands of dollars from Class  
17 members' bank accounts and then distribute unearned and illegal fees from Class members'  
18 escrow accounts.

19 92. The members of the Meracord Enterprise share the common purpose of engaging in  
20 fraudulent and deceptive practices designed to enroll consumers in useless debt-relief plans and  
21 extract unearned fees from them. Each of the members of the Meracord Enterprise is rewarded  
22 financially based on its abilities to perform its role as a member of the Meracord Enterprise.

23 **A. Conduct of the RICO Enterprise's Affairs**

24 93. In violation of RICO § 1962(c), Meracord has conducted or participated in the  
25 conduct of the affairs of the RICO Enterprise, directly or indirectly, by making false statements  
26

1 and promises in an attempt to encourage Class members to sign up for debt-relief programs  
2 through the Meracord Enterprise, and by extracting and processing debt-relief payments knowing  
3 that the underlying contracts provided for illegal fees and that Class members had signed those  
4 contracts based on the misrepresentations and the fraudulent and deceptive activities of the  
5 Enterprise's Front DRCs.

6 **B. Meracord's Pattern of Racketeering Activity**

7 94. Meracord conducted and participated in the affairs of the above-referenced Meracord  
8 Enterprise through a pattern of racketeering activity, including acts that are indictable under 18  
9 U.S.C. § 2314, relating to the interstate transportation of stolen property; 18 U.S.C. § 1341,  
10 relating to mail fraud; 18 U.S.C. § 1343, relating to wire fraud; and 18 U.S.C. § 1344, relating to  
11 bank fraud. Meracord's pattern of racketeering likely involved thousands of separate instances of  
12 use of the U.S. mails or interstate wire facilities in furtherance of the Meracord Scheme, as well  
13 as many instances involving the interstate transmission of potentially millions of dollars in  
14 fraudulently obtained fees, which were withdrawn from accounts under the custody and control  
15 of financial institutions. Each of these instances constitutes a "racketeering activity" within the  
16 meaning of 18 U.S.C. § 1961(1)(B). Collectively, these violations constitute a "pattern of  
17 racketeering activity" within the meaning of 18 U.S.C. § 1961(5), in which Meracord intended to  
18 defraud Cheryl, Class members, and other intended victims.

19 95. Meracord's racketeering activities amounted to a common course of conduct, with  
20 similar pattern and purpose, intended to defraud Class members. Each separate instance of  
21 racketeering employed by Meracord was related, had similar intended purposes, involved similar  
22 participants and methods of execution, and had the same injurious results affecting the same  
23 victims, including Cheryl and Class members. Meracord has engaged in the pattern of  
24 racketeering activity for the purpose of conducting the ongoing business affairs of the Meracord  
25 Enterprise.  
26

1           **1. Meracord's Use of the U.S. Mails and Interstate Wire Facilities in Violation**  
2           **of 18 U.S.C. §§ 1341 & 1343.**

3           96. Meracord's illegal conduct and wrongful practices were carried out by an array of  
4 agents and members of the Meracord Enterprise, working across state boundaries, who  
5 necessarily relied upon frequent transfers of documents, information, products, and funds by the  
6 U.S. mails and interstate wire facilities. The nature and pervasiveness of the Meracord Scheme,  
7 which was orchestrated primarily out of the offices of Meracord and the Front DRCs, necessarily  
8 required those offices to communicate directly and frequently with each other and with Class  
9 members by the U.S. mails and by interstate wire facilities. On the portion of its website devoted  
10 to marketing its debt settlement services, Meracord boasts that it is a licensed "money  
11 transmitter" in over forty states.

12           97. Many of the precise dates of Meracord's uses of the U.S. mails and interstate wire  
13 facilities (and corresponding RICO predicate acts of mail and wire fraud) have been hidden and  
14 cannot be alleged without access to Meracord's books and records. However, Cheryl can  
15 ascertain when and how her transactions involved the mail and wire facilities and can and has  
16 described above several of the occasions on which the RICO predicate acts of mail fraud and  
17 wire fraud occurred, and how those acts were in furtherance of the Meracord Scheme.

18           98. Meracord's use of the U.S. mails and interstate wire facilities to perpetrate the  
19 Meracord Scheme involved thousands of communications including telephonic, email, and U.S.  
20 Mail communications to Class members. Use of the U.S. Mail, email, and telephone systems also  
21 occurred on hundreds if not thousands of occasions where members of the Meracord Enterprise  
22 communicated among themselves. In addition to these RICO predicate acts, it was foreseeable to  
23 Meracord that its Front DRCs would communicate with Class members through the U.S. mails  
24 and through interstate wire facilities. Further, Meracord has, in furtherance of the Meracord  
25 Scheme, communicated through use of the U.S. mails and by interstate wire facilities with their  
26 various offices or divisions.

1           99. Indeed, Meracord's business model and the ensnarement of Class members through  
2 the Meracord Scheme is predicated on and necessitates the use of the interstate wire facilities.  
3 Class members often "e-sign" their documents using the Internet (an instrument of interstate  
4 commerce) to indicate acceptance of the agreements. Further, the e-signed agreements are often  
5 transmitted to Class members over the Internet for them to print from their home computers, or  
6 may sometimes be sent to Class members through the U.S. mail system. Examples of such  
7 mailings and transmissions with respect to Cheryl are set forth in detail above. Thus, for each  
8 and every Class member, the initiation of the scheme itself is done through the wires or the mails  
9 and involves at the very least the wire or mail communication in which their contracts are  
10 delivered to them, and often many other email and telephonic communications as well.

11           100. Specifically, Meracord perpetrated the Meracord Scheme against Cheryl through  
12 interstate mail and wire facilities by sending emails and documents from Washington and  
13 potentially other states to Cheryl in Arizona.

- 14           (a) In April 2010, Cheryl received her Simon & Bosksch, TDA and Meracord  
15 contracts via email;
- 16           (b) Between April 2010 and March 2011, Cheryl received twelve emails from  
17 Meracord regarding withdrawals from her account;
- 18           (c) Between August 2010 and March 2011, Cheryl received numerous emails from  
19 Meracord regarding payments for one settlement; and
- 20           (d) Between April 2010 and June 2011, Cheryl received numerous emails from  
21 Simon & Bocksch, TDA, and Lloyd Ward.

22           101. The emails sent to Cheryl are typical of the use of the wires and mails to the other  
23 Class members.

24  
25  
26



1           **2. Defendants' Interstate Transportation of Stolen Property in Violation of 18**  
2           **U.S.C. § 2314**

3           102. The Meracord Enterprise has developed a scheme, described in the above paragraphs  
4 of this Complaint, to obtain money from Class members by fraudulent means.

5           103. In furtherance of this scheme, Meracord transmits Class members' monthly payments  
6 and fees in amounts exceeding \$5,000 in interstate commerce. Meracord does so despite  
7 knowing that the authorization for those payments and fees are obtained by fraud.

8           104. Specifically, over the course of Cheryl's dealings with Meracord, the company  
9 transmitted over \$7,000 from her bank account in Arizona to trust accounts held by Meracord's  
10 bank in Washington and/or other states.

11           105. On information and belief, Meracord transmits over \$5,000 from each of the Class  
12 members in an ongoing pattern that continues with the ensnarement of each additional victim.  
13 Indeed, many, if not all, of the Front DRCs require that a consumer have at least \$10,000 in debt  
14 in order to enroll in the program, which necessitates transfers exceeding \$5,000.

15           **3. Meracord's Commission of Bank Fraud Under 18 U.S.C. § 1344**

16           106. Meracord knowingly executed the Meracord Scheme described in the previous  
17 paragraphs of this Complaint to obtain money, by means of fraudulent pretenses, representations,  
18 and promises, from Class members' bank accounts, which were under the custody and control of  
19 financial institutions.

20           107. Specifically, as described above, Meracord, through the Meracord Enterprise,  
21 fraudulently obtained Cheryl's authorization to withdraw money from her checking account,  
22 which was under the custody and control of Chase Bank, a financial institution, as described by  
23 the bank fraud statute.

24           108. On information and belief, the same process involving fraud in obtaining  
25 authorization to withdraw money from Class members' bank accounts is repeated in a continuing  
26 and ongoing pattern with the ensnarement of each additional Class member victim.

1 **C. Damages Caused by the Meracord Scheme**

2 109. Meracord's violations of federal law and its pattern of racketeering activity have  
3 directly and proximately caused Cheryl and members of the Class to be injured in their business  
4 or property because Cheryl and Class members:

- 5 (a) Paid fees in excess of legal limits and otherwise in violation of A.R.S. §§ 6-  
6 709, 6-710, and other applicable state and federal laws for their participation in  
7 debt-relief programs offered by members of the Meracord Enterprise;
- 8 (b) Would not have entered into those debt-relief programs if they had been aware  
9 of the illegality of the fees and/or the fraudulent nature of the Meracord  
10 Scheme, *see* A.R.S. §§ 6-709, 6-710;
- 11 (c) In many cases, paid fees for services that were never performed, and were  
12 unable to get refunds for those fees because of the fraudulent and deceptive  
13 practices of the Meracord Enterprise;
- 14 (d) Suffered continuing harm to their credit and creditworthiness as a result of the  
15 fraudulent and deceptive practices of the Meracord Enterprise;
- 16 (e) In many cases, incurred substantial legal fees as a result of the fraudulent and  
17 deceptive practices of the Meracord Enterprise, whether in pursuit of refunds  
18 from the Meracord Enterprise or in the defense of lawsuits by creditors brought  
19 about by Class members' enrollment in the Meracord Enterprise's debt-relief  
20 programs; and
- 21 (f) In many cases, had judgments entered against them arising out of their failure  
22 to pay their debts as a result of entering into the Meracord Enterprise's debt-  
23 relief programs, sometimes despite the existence of valid defenses to those  
24 debts, including but not limited to statute of limitations defenses.
- 25  
26

1 110. Cheryl and members of the Class were harmed by the Meracord Scheme because they  
2 would not have entered into the contracts had they known: (1) that the fees they would be  
3 charged exceeded the legal limits imposed by A.R.S. §§ 6-709 and 6-710, and therefore were  
4 illegal; (2) that Meracord and its Front DRCs were deceiving them about the true nature of their  
5 relationships; and (3) the true nature of the debt-relief programs, which the Meracord Enterprise  
6 concealed from them. If Cheryl and the Class members had known this information, they would  
7 have either purchased debt-relief services elsewhere or, more likely, would have simply  
8 attempted to negotiate with their creditors themselves.

9 111. Under the provisions of § 1964(c) of RICO, Meracord is liable to Cheryl and  
10 members of the Class for three times the damages that Cheryl and the Class members have  
11 sustained, plus the costs of bringing this suit, including reasonable attorneys' fees.

12 **COUNT II.**

13 **(Violation of 18 U.S.C. § 1962(D))**

14 112. Cheryl incorporates by reference all preceding paragraphs as if fully set forth herein.

15 113. Section 1962(d) of RICO provides that it "shall be unlawful for any person to  
16 conspire to violate any of the provision of subsection (a), (b), or (c) of this section."

17 114. Meracord has violated § 1962(d) by conspiring to violate 18 U.S.C. § 1962(c). The  
18 object of this conspiracy was to conduct or participate in, directly or indirectly, the previously-  
19 described scheme and affairs through a pattern of racketeering activity.

20 115. Meracord conspired with other affiliates to promote and perfect the financial goals of  
21 the Meracord Enterprise. Meracord had overt written and oral agreements with the Front DRCs  
22 and other affiliates to further the goals of the Meracord Enterprise and to engage in the pattern of  
23 racketeering activity alleged in this Complaint. The nature of the material misrepresentations,  
24 acts, and omissions in furtherance of the conspiracy gives rise to an inference that Meracord and  
25 its affiliates not only agreed to the objective of an 18 U.S.C. § 1962(d) violation by conspiring to  
26

1 violate 18 U.S.C. § 1962(c), but they were and are aware that their ongoing fraudulent acts have  
2 been and are part of an overall pattern of racketeering activity.

3 116. As a direct and proximate result of Meracord's and the other Meracord Enterprise  
4 members' overt acts and predicate acts in furtherance of violating 18 U.S.C. § 1962(d) by  
5 conspiring to violate 18 U.S.C. § 1962(c), Cheryl and Class members have been and are  
6 continuing to be injured in their business or property.

7 117. Meracord and the members of the Meracord Enterprise sought to engage in—and  
8 have engaged in—the commission of overt acts, which they continue to commit, including the  
9 following unlawful racketeering predicate acts:

- 10 (a) Multiple instances of mail and wire fraud in violation of 18 U.S.C. §§ 1341 and  
11 1342;
- 12 (b) Multiple instances of mail fraud in violation of 18 U.S.C. §§ 1341 and 1346;
- 13 (c) Multiple instances of transporting fraudulently obtained money in violation of  
14 18 U.S.C. § 2314;
- 15 (d) Multiple instances of bank fraud in violation of 18 U.S.C. § 1344; and
- 16 (e) Multiple instances of unlawful activity in violation of 18 U.S.C. § 195.

17  
18 **PRAYER FOR RELIEF**

19 WHEREFORE, Cheryl demands judgment as follows:

- 20 (f) For an order declaring that this action may be maintained as a class action  
21 pursuant to Fed. R. Civ. P. 23, and for an order certifying this case as a class  
22 action and appointing Cheryl as the representative of the Class;
- 23 (g) For judgment for Cheryl and the Class on their RICO claims, and damages in  
24 an amount to be proven at trial;
- 25 (h) For pre- and post-judgment interest as provided for by law or allowed in equity;
- 26

- 1 (i) For an order awarding Cheryl and the Class their attorneys' fees and costs;  
2 (j) For an order requiring that the damages awarded be paid by Defendants out of  
3 the surety bonds posted for the benefit of those harmed by Meracord's  
4 wrongdoing; and  
5 (k) For such other and further relief as may appear necessary and appropriate.

6  
7 **DEMAND FOR JURY TRIAL**

8 Pursuant to Fed. R. Civ. P. 38(b), Cheryl demands a trial by jury on all issues so triable.

9 DATED this 3<sup>rd</sup> of December, 2013.

10 **TIFFANY & BOSCO P.A.**

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12  
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