

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 98-6212 CIV-ZLOCH/SELTZER

UNITED STATES OF AMERICA,

Plaintiff,

v.

JACK SCHROLD,

Defendant.

**MODIFIED STIPULATED JUDGMENT AND ORDER
FOR PERMANENT INJUNCTION AND CIVIL PENALTIES**

Plaintiff, United States of America, acting upon notification and authorization to the Attorney General by the Federal Trade Commission ("FTC" or the "Commission"), has moved this Court for an Order to Show Cause Why Defendant Should Not Be Held in Civil Contempt, and has also moved pursuant to Rule 60(b)(6) of the Federal Rules of Civil Procedure and Section VIII of the Stipulated Judgment and Order for Permanent Injunction and Civil Penalties entered by this Court on March 29, 1999 (the "Order"), to modify such Order. The parties to this action are represented by the attorneys whose names appear hereafter. The parties stipulate and agree to entry of this Modified Stipulated Judgment and Order for Permanent Injunction and Civil Penalties (hereinafter referred to as the "Modified Order") without adjudication of any issue of fact or law except as set forth below.

NOW, THEREFORE, with the consent of the parties, **IT IS HEREBY ORDERED, ADJUDGED, AND DECREED** as follows:

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FINDINGS

1. This Court has jurisdiction of the subject matter of this case and of the parties pursuant to 28 U.S.C. §§ 1331, 1337(a), 1345 and 1355, and 15 U.S.C. §§ 45, 56(a), 57b, and 1679h(b)(2).

2. On March 3, 1998, Plaintiff commenced this action by filing its Complaint herein. The Complaint states a claim upon which relief may be granted against the Defendant, under Sections 5(a), 5(m)(1)(A), and 19 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 45(a), 45(m)(1)(A), and 57b; and under Section 410(b) of the Credit Repair Organizations Act ("CROA"), 15 U.S.C. § 1679h(b).

3. The activities of the Defendant as alleged in the Complaint are or were in or affecting commerce, as defined in 15 U.S.C. § 44. The activities of the Defendant as alleged in the Complaint bring him within the definition of "credit repair organization" as defined in 15 U.S.C. § 1679a(3), in that, inter alia, he used instrumentalities of interstate commerce or the mails to sell, provide, or perform (or represent that he can or will sell, provide, or perform) the services covered by the CROA.

4. On March 29, 1999, this Court entered the Order, which settled the charges brought by Plaintiff in its Complaint.

5. On July 21, 2004, Plaintiff filed a Motion for an Order To Show Cause Why Defendant Should Not Be Held in Civil Contempt. On August 9, 2004, this Court ordered the Defendant to show cause, and a contempt hearing was held on November 18, 2004.

6. Defendant admits that he violated CROA and the Order in that: (a) his practice of billing customers on a monthly basis systematically charged his customers before all credit repair services had been fully performed, in violation of Paragraph II of the Order and 15 U.S.C.

§ 1679b(b); (b) his practice of having his employees challenge negative entries on his customers' credit reports without having a reasonable basis for those challenges violated Paragraph III(B) of the Order and 15 U.S.C. § 1679b(a)(1); (c) he failed to take the steps the Order required in order to continue charging and receiving payment from the people who were his customers at the time the Order was entered, in violation of Paragraph IV(B) of the Order; and (d) he failed to distribute the Order to his employees and obtain signed acknowledgments from them in a timely fashion, and to maintain those acknowledgments for inspection by the FTC as required by Paragraphs VI(B)(6) and (7) of the Order.

7. Plaintiff has moved this Court, pursuant to Rule 60(b)(6) of the Federal Rules of Civil Procedure and Section VIII of the Stipulated Judgment and Order for Permanent Injunction and Civil Penalties, to modify such Order. Pursuant to Fed. R. Civ. P. 60(b)(6) and Section VIII of the Stipulated Judgment and Order for Permanent Injunction and Civil Penalties, this Court has the authority to grant the relief Plaintiff requests.

8. This Modified Order supersedes the Stipulated Judgment and Order for Permanent Injunction and Civil Penalties entered by this Court on March 29, 1999.

9. Entry of this Modified Order is in the public interest.

10. Defendant stipulates to the entry of this Modified Order freely and without coercion. Defendant further acknowledges that he has read the provisions of this Modified Order and is prepared to abide by them.

11. All parties hereby waive all rights to appeal or otherwise challenge or contest the validity of this Modified Order.

12. The parties shall bear their own costs and attorney's fees incurred in this action. Defendant has waived all claims under the Equal Access to Justice Act, 28 U.S.C. § 2412.

DEFINITIONS

For the purpose of this Modified Order, the following definitions shall apply:

A. **“Assisting others”** means providing any of the following goods or services to any person: (1) performing customer service functions, including, but not limited to, receiving or responding to consumer complaints; (2) formulating or providing, or arranging for the formulation or provision of, any telephone sales script or any other marketing material; (3) providing names of, or assisting in the generation of, potential customers; (4) performing marketing services of any kind; or (5) acting as an officer or director of a business entity.

B. **“Credit repair organization”** shall have the meaning ascribed to that term in CROA Section 403(3), 15 U.S.C. § 1679a(3), as presently enacted or as it may hereinafter be amended.

C. **“Credit repair service”** or **“credit repair services”** means any service, in return for the payment of money or other valuable consideration, for the express or implied purpose of (1) improving any consumer’s credit record, credit history, or credit rating; or (2) providing advice or assistance to any consumer with regard to any activity or service the purpose of which is to improve a consumer’s credit record, credit history, or credit rating.

D. **“Customer”** means any person who has paid, or may be required to pay, for credit repair services offered for sale or sold by Defendant.

E. **“Defendant”** means Jack Schrold, also doing business at various times since March 29, 1999, as the Law Office of Jack L. Schrold, Inc., and each of them, by whatever names each may be known.

F. **“Document”** is synonymous in meaning and equal in scope to the usage of the term in Federal Rule of Civil Procedure 34(a), and includes writings, drawings, graphs, charts,

photographs, audio and video recordings, computer records, and other data compilations from which information can be obtained and translated, if necessary, through detection devices into reasonably usable form. A draft or non-identical copy is a separate document within the meaning of the term.

G. “**Material**” means likely to affect a person’s choice of, or conduct regarding, goods or services.

H. “**Person**” means any individual, group, unincorporated association, limited or general partnership, corporation, or other business entity.

MODIFIED ORDER

I. PERMANENT BAN

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED that Defendant, whether directly or indirectly, or through any corporation, business entity, or person under his control, is hereby permanently restrained and enjoined from engaging, participating, or assisting others in the advertising, marketing, offering for sale, sale, or performance of any credit repair service, including, but not limited to, serving as an officer or director of any credit repair organization, including any non-profit organization or any other organization that performs credit repair service. Nothing in this Modified Order shall be read as an exception to this Section I.

II. PROHIBITED BUSINESS ACTIVITIES PURSUANT TO THE FTC ACT

IT IS FURTHER ORDERED that Defendant, his successors, assigns, officers, agents, servants, employees, attorneys, and all persons or entities directly or indirectly under his control or under common control with him, and all other persons or entities in active concert or participation with any of them who receive actual notice of this Modified Order by personal

service or otherwise, whether acting directly or through any business entity, corporation, subsidiary, division or other device, are hereby permanently restrained and enjoined from:

A. Representing, directly or by implication, that Defendant is able to improve substantially consumers' credit reports or profiles by effectuating the permanent lawful removal of bankruptcies, liens, judgments, charge-offs, late payments, foreclosures, repossessions, or other negative information from consumers' credit reports where such information is accurate and not obsolete;

B. Misrepresenting, directly or by implication, that Defendant is able to improve substantially consumers' credit reports or profiles by permanently removing bankruptcies, liens, judgments, charge-offs, late payments, foreclosures, repossessions, or other negative information from consumers' credit reports;

C. Misrepresenting, directly or by implication, any material term or condition of any refund or cancellation policy, or of any guarantee, offered in connection with any credit repair service;

D. Misrepresenting, directly or by implication, any fact material to a consumer's decision to purchase any credit repair service from Defendant;

E. Misrepresenting, directly or by implication, any material fact regarding any item, product, good, or service sold or offered for sale by Defendant;

F. Assisting others who violate any provision of Paragraphs A through E of this Section.

III. PROHIBITED BUSINESS ACTIVITIES PURSUANT TO THE CREDIT REPAIR ORGANIZATIONS ACT

IT IS FURTHER ORDERED that Defendant, his successors, assigns, officers, agents, servants, employees, attorneys, and all persons or entities directly or indirectly under his control

or under common control with him, and all other persons or entities in active concert or participation with any of them who receive actual notice of this Modified Order by personal service or otherwise, whether acting directly or through any business entity, corporation, subsidiary, division or other device, are hereby permanently restrained and enjoined from violating the Credit Repair Organizations Act ("CROA"), 15 U.S.C. §§ 1679-1679j, as presently enacted or as it may hereinafter be amended, by, including, but not limited to:

A. Violating 15 U.S.C. § 1679b(b) by charging or receiving any money or other valuable consideration for services that Defendant has agreed to perform for the purpose of improving any consumer's credit record, credit history, or credit report before all such services have been fully performed;

B. Violating 15 U.S.C. § 1679c(a) by failing to provide consumers with a written statement of consumer credit file rights under state and federal law at the time and in the manner prescribed therein;

C. Violating 15 U.S.C. § 1679b(a)(1) by making any untrue or misleading statement (or which, upon the exercise of reasonable care, should be known by the credit repair organization, officer, employee, agent or other person to be untrue or misleading), or counseling or advising any consumer to make any untrue or misleading statement, with respect to any consumer's credit worthiness, credit standing, or credit capacity to any consumer reporting agency as defined in 15 U.S.C. § 1681(f) or to any person who has extended credit to the consumer or to whom the consumer has applied or is applying for an extension of credit;

D. Violating 15 U.S.C. § 1679b(a)(3) by making or using any untrue or misleading representation of the services of a credit repair organization.

E. Violating 15 U.S.C. §§ 1679d(a), 1679d(b)(4), or 1679e(b), by providing services

to consumers without first having the consumers sign written contracts that:

1. include a prescribed statement of the consumer's right to cancel the transaction within three business days; and
2. are accompanied by a notice of cancellation in the form and manner prescribed.

IT IS FURTHER ORDERED that Defendant, whether directly or indirectly, or through any corporation, business entity, or person under his control, is hereby permanently restrained and enjoined from assisting others who violate any provision of the CROA, including, but not limited to, the specific violations contained in Paragraphs A through E of this Section.

IV. CIVIL PENALTY

IT IS FURTHER ORDERED that Defendant, his successors and assigns, shall pay to the Plaintiff a civil penalty, pursuant to Section 410(b)(2) of the Credit Repair Organizations Act, 15 U.S.C. § 1679h(b)(2), and Section 5(m)(1)(A) of the Federal Trade Commission Act, 15 U.S.C. § 45(m)(1)(A), which shall consist of one cash payment in the amount of \$100,000.00 and the assignment to Plaintiff of any and all interest Defendant has in amounts owed to the Law Office of Jack L. Schroid, Inc., by Legal Credit Repair Center, Inc., under the terms of the April 8, 2003 Asset Purchase Agreement between the Law Office of Jack L. Schroid, Inc., and Legal Credit Repair Center, Inc.

A. Prior to or concurrently with the execution of this Modified Order, Defendant shall turn over \$100,000.00 to his attorney, who shall hold the entire sum in escrow. Within five (5) days of receipt of notice of entry of this Modified Order, Defendant's attorney shall transfer the escrowed payment to the Plaintiff in the form of a certified or cashier's check made payable to the Treasurer of the United States and sent by overnight delivery to the Director, Office of

Consumer Litigation, Civil Division, 1331 Pennsylvania Avenue NW, Rm 950N, Washington, D.C. 20004. The cover letter accompanying the check shall include the title of this litigation and a reference to DJ# 102-3114.

B. Concurrently or within five (5) days of executing this Order, Defendant shall assign and transfer to Plaintiff any and all legal and equitable rights, title, and interest to any amounts owed to the Law Office of Jack L. Schrold, Inc., by Legal Credit Repair Center, Inc., under the terms of the April 8, 2003 Asset Purchase Agreement executed by the Law Office of Jack L. Schrold, Inc., and Legal Credit Repair Center, Inc.

C. Defendant shall cooperate fully with Plaintiff and the Commission and their agents in all attempts to collect the amount due pursuant to this Section if the Defendant fails to pay fully the amount due at the time specified herein. In such an event, Defendant agrees to provide Plaintiff and the Commission with his federal and state tax returns for the preceding two years, and to complete new standard-form financial disclosure forms fully and accurately within five (5) business days of receiving a request from Plaintiff or the Commission to do so.

Defendant further authorizes Plaintiff and the Commission to verify all information provided on his financial disclosure forms with all appropriate third parties, including, but not limited to, financial institutions.

D. In the event of default on the payment required to be made by this Section, the entire unpaid penalty – together with the suspended judgment entered in Section V of this Modified Order in the amount of \$16,103,498.75 and interest computed under 28 U.S.C. § 1961 accrued from the date of default until the date of payment – shall be immediately due and payable. In such event, Plaintiff at its sole option and discretion may move the Court to rescind or modify this Modified Order. Defendant agrees that, in the event of default on payment

required to be made by this Section, the facts as alleged in the Complaint and the United States' Motion For an Order To Show Cause Why Defendant Should Not Be Held in Civil Contempt (including the supporting memoranda) filed in this action shall be taken as true in any subsequent proceedings in this action or in subsequent litigation filed by Plaintiff or the Commission to enforce their rights pursuant to this Modified Order, including, but not limited to, a nondischargeability complaint in any subsequent bankruptcy proceeding. In the event of default on any payment required to be made by this Section, Defendant shall be liable for all costs and attorney's fees expended by Plaintiff to enforce this Modified Order.

E. In accordance with 31 U.S.C. § 7701, Defendant is hereby required, unless he has done so already, to furnish to Plaintiff and the Commission his taxpayer identifying numbers (social security numbers or employer identification numbers) which shall be used for purposes of collecting and reporting on any delinquent amount arising out of Defendant's relationship with the government.

F. Defendant further agrees, if he has not done so already, to provide the Commission with clear, legible and full-size photocopies of all valid driver's licenses he possesses, which will be used for collection, reporting, and compliance purposes.

G. Proceedings instituted under this Section are in addition to, and not in lieu of, any other civil or criminal remedies that may be provided by law, including any other proceedings Plaintiff or the Commission may initiate to enforce this Modified Order.

V. CONSUMER REDRESS

IT IS FURTHER ORDERED that judgment is hereby entered against Defendant in the amount of \$16,103,498.75 for equitable monetary relief, including, but not limited to, consumer redress, restitution, and/or disgorgement; *provided, however*, that this judgment (which is

separate from and in addition to the civil penalty ordered under Section IV of this Modified Order) shall be suspended until further order of the Court, and *provided further* that this judgment shall be subject to the conditions set forth in Section VI of this Modified Order.

A. Any funds paid pursuant to this Section of the Modified Order shall be paid to the Commission in the form of a wire transfer or certified or cashier's check made payable to the Federal Trade Commission.

B. Any funds paid pursuant to this Section of the Modified Order shall be deposited into a fund administered by the Commission or its agent to be used for equitable relief, including, but not limited to, consumer redress and any attendant expenses for the administration of any redress fund. In the event that direct redress to consumers is wholly or partially impracticable or funds remain after redress is completed, the Commission may apply any remaining funds for such other equitable relief (including consumer information remedies) as it determines to be reasonably related to Defendant's practices alleged in the Complaint. Any funds not used for such equitable relief shall be deposited to the Treasury as disgorgement. Defendant shall have no right to challenge the Commission's choice of remedies under this Section.

C. Defendant shall cooperate fully with Plaintiff and the Commission and their agents in all attempts to collect any amount due pursuant to this Section. Defendant shall have the same obligations to cooperate as set forth above in Sections IV.C., IV.E., and IV.F.

D. In the event of default on any payment required to be made by this Section, the entire monetary judgment, together with interest computed under 28 U.S.C. § 1961 – accrued from the date of default until the date of payment – shall be immediately due and payable. In such event, Plaintiff at its sole option and discretion may move the Court to rescind or modify this Modified Order. Defendant agrees that, in the event of default on payment required to be

made by this Section, the facts as alleged in the Complaint and the United States' Motion For an Order To Show Cause Why Defendant Should Not Be Held in Civil Contempt (including the supporting memoranda) filed in this action shall be taken as true in any subsequent proceedings in this action or in subsequent litigation filed by Plaintiff or the Commission to enforce their rights pursuant to this Modified Order, including, but not limited to, a nondischargeability complaint in any subsequent bankruptcy proceeding. In the event of default on any payment required to be made by this Section, Defendant shall be liable for all costs and attorney's fees expended by Plaintiff to enforce this Modified Order.

E. Proceedings instituted under this Section are in addition to, and not in lieu of, any other civil or criminal remedies that may be provided by law, including any other proceedings Plaintiff or the Commission may initiate to enforce this Modified Order.

VI. RIGHT TO REOPEN

IT IS FURTHER ORDERED that within ten (10) days after the date of entry of this Modified Order by the Court, Defendant shall submit to the Commission a truthful sworn statement (in the form shown on **Attachment A**) that shall reaffirm and attest to the truthfulness, accuracy, and completeness of his (a) financial statements, namely Forms OBD-500 and OBD-500C submitted in October 2003 and August 2004, his personal U.S. Individual Income Tax Returns for the years 1999-2003, and corporate (for the Law Office of Jack L. Schroid, Inc.) U.S. Income Tax Returns for an S Corporation for the years 1999-2003; (b) other supplemental documents and information provided by Defendant, including Defendant's Answers to Plaintiff's First Set of Interrogatories dated December 22, 2004, and documents provided in response to Plaintiff's document requests; and (c) Defendant's deposition testimony dated August 18, 1998, April 17, 2003, October 6, 2003, and January 10, 2005. Plaintiff's agreement to this Modified

Order is expressly premised upon the financial condition of Defendant, as represented by his financial statements, supplemental documents, and deposition testimony, which contain material information upon which Plaintiff relied in negotiating this Modified Order.

If, upon motion by Plaintiff or the Commission, the Court finds that Defendant failed to submit to the Commission the sworn statement required by this Section, or that Defendant failed to disclose any material asset, or materially misrepresented the value of any asset, or made any other material misrepresentation or omission from the financial statements and other documents submitted to Plaintiff, the suspended judgment entered in Section V of this Modified Order in the amount of \$16,103,498.75 shall become immediately due and payable to the Commission, less any payment already made. Upon the entry of a judgment against Defendant by the Court, Defendant further agrees to authorize any third party, including, but not limited to, individuals, banks, savings and loan institutions, pension funds, escrow agents, title companies, brokerage firms, commodity trading companies, business entities, or other financial institutions of any kind, in possession of any assets or funds belonging to or owed to Defendant, to transfer the assets or funds to the Commission in full or partial satisfaction of the judgment. Said funds are to be transferred to the Commission by cashier's or certified check made payable to the Federal Trade Commission, and delivered to the Director, Federal Trade Commission, Midwest Region, 55 East Monroe Street, Suite 1860, Chicago, Illinois 60603.

Provided, however, that in all other respects, this judgment shall remain in full force and effect, unless otherwise ordered by the Court; *provided further,* that proceedings to reopen instituted under this Section are in addition to, and not in lieu of, any other civil or criminal remedies as may be provided by law, including any other proceedings that Plaintiff or the Commission may initiate to enforce this Modified Order. Solely for the purpose of reopening or

enforcing this Section, Defendant waives any right to contest any of the allegations set forth in the Complaint or the United States' Motion For an Order To Show Cause Why Defendant Should Not Be Held in Civil Contempt (including the supporting memoranda) filed in this action.

VII. DISCLOSURE OF CUSTOMER INFORMATION

IT IS FURTHER ORDERED that Defendant, and his officers, agents, directors, servants, employees, salespersons, independent contractors, attorneys, corporations, subsidiaries, affiliates, successors, and assigns, and all other persons or entities in active concert or participation with any of them who receive actual notice of this Modified Order by personal service or otherwise, whether acting directly or through any trust, corporation, subsidiary, division, or other device, or any of them, are permanently restrained and enjoined from selling, renting, leasing, transferring, or otherwise disclosing the name, address, telephone number, social security number, credit card number, bank account number, e-mail address, or other identifying information of any person who paid any money to or received any credit repair services from Defendant, or whose identifying information was obtained for the purpose of soliciting them to pay money to or receive credit repair services from Defendant at any time prior to the date this Modified Order is entered.

Provided, however, that Defendant, his successors, assigns, officers, agents, servants, employees, and all other persons or entities in active concert or participation with any of them who receive actual notice of this Modified Order by personal service or otherwise, whether acting directly or through any corporate or other device, may provide such identifying information to Plaintiff, to a law enforcement agency, or as required by any law, regulation, or court order.

**VIII. CEASE COLLECTIONS, NOTICE TO CUSTOMERS,
CORRECT CONSUMER REPORTS, AND DISMISS
LAWSUITS FILED AGAINST CUSTOMERS**

A. **IT IS FURTHER ORDERED** that, immediately upon entry of this Modified Order, Defendant shall cease collecting and accepting any payment from any customer for any credit repair services arising from contracts signed between Defendant and his customers prior to the date this Modified Order is entered.

B. **IT IS FURTHER ORDERED** that, within thirty (30) days of entry of this Modified Order, Defendant shall:

1. Notify each credit bureau to which Defendant previously reported any non-payment by any of Defendant's customers (with the intent or result that a negative item was placed on the customer's credit report) that such negative item should be removed from the customer's credit report;

2. Cease all collection efforts on accounts arising from contracts signed between Defendant and his customers prior to the date this Modified Order is entered, if any such efforts have been undertaken;

3. Mail via first-class mail, postage prepaid, notices in the form shown at **Attachment B** to all customers, if any, who have payments that are due or may become due on contracts signed prior to the date this Modified Order is entered. No information other than that contained in **Attachment B** shall be included in or added to the notice required by this Section VIII.B.3, nor shall any other materials be transmitted therewith;

4. Move for voluntary dismissal of legal actions filed by Defendant against customers, if any, in which Defendant seeks to recover money allegedly owed by customers for the provision of credit repair services, and notify the court(s) in such

motions that voluntary dismissal is sought pursuant to an agreement between Defendant and the United States settling allegations that Defendant violated the Credit Repair Organizations Act; and

5. File motions to vacate judgments obtained against customers, if any, in any court pursuant to legal actions filed by Defendant against customers in which Defendant sought to recover money allegedly owed by customers for the provision of credit repair services, and notify the court(s) that the motions to vacate are sought pursuant to an agreement between Defendant and the United States settling allegations that Defendant violated the Credit Repair Organizations Act.

IX. ACKNOWLEDGMENT OF RECEIPT OF MODIFIED ORDER

IT IS FURTHER ORDERED that Defendant, within five (5) business days of receipt of this Modified Order as entered by the Court, must submit to the Commission a truthful sworn statement, in the form shown on **Attachment C** to this Modified Order, acknowledging receipt of this Modified Order.

X. COMPLIANCE MONITORING

IT IS FURTHER ORDERED that, for the purpose of monitoring and investigating compliance with any provision of this Modified Order:

A. Within ten (10) days of receipt of written notice from a representative of the Commission, Defendant shall submit additional written reports, sworn to under penalty of perjury; produce documents for inspection and copying; appear for deposition; and/or provide entry during normal business hours to any business location in Defendant's possession or direct or indirect control to inspect the business operation;

B. In addition, the Commission is authorized to monitor compliance with this Modified Order by all other lawful means, including, but not limited to, the following:

1. obtaining discovery from any person, without further leave of court, using the procedures prescribed by Fed. R. Civ. P. 30, 31, 33, 34, 36, and 45;
2. posing as consumers to Defendant, Defendant's employees, or any other entity managed or controlled in whole or in part by Defendant, without the necessity of identification or prior notice;

C. Defendant shall permit representatives of the Commission to interview any employer, consultant, independent contractor, representative, agent, or employee who has agreed to such an interview, relating in any way to any conduct subject to this Modified Order. The person interviewed may have counsel present.

Provided, however, that nothing in this Modified Order shall limit the Commission's lawful use of compulsory process, pursuant to Sections 9 and 20 of the FTC Act, 15 U.S.C. §§ 49, 57b-1, to obtain any documentary material, tangible things, testimony, or information relevant to unfair or deceptive acts or practices in or affecting commerce (within the meaning of 15 U.S.C. § 45(a)(1)).

XI. COMPLIANCE REPORTING BY DEFENDANT

IT IS FURTHER ORDERED that, in order that compliance with the provisions of this Modified Order may be monitored:

- A. For a period of seven (7) years from the date of entry of this Modified Order,
 1. Defendant shall notify the Commission of the following:
 - a. Any changes in Defendant's residence, mailing addresses, and telephone numbers, within ten (10) days of the date of such change;

b. Any changes in Defendant's employment status (including self-employment) within ten (10) days of the date of such change. Such notice shall include the name and address of each business that Defendant is affiliated with, employed by, or performs services for; a statement of the nature of the business; and a statement of Defendant's duties and responsibilities in connection with the business;

c. Any changes in Defendant's name or use of any aliases or fictitious names; and

2. Defendant shall notify the Commission of any changes in corporate structure that may affect compliance obligations arising under this Modified Order, including, but not limited to, a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Modified Order; the filing of a bankruptcy petition; or a change in the corporate name or address, at least thirty (30) days prior to such change, *provided* that, with respect to any proposed change in the corporation about which the Defendant learns less than thirty (30) days prior to the date such action is to take place, Defendant shall notify the Commission as soon as is practicable after obtaining such knowledge.

B. One hundred eighty (180) days after the date of entry of this Modified Order, Defendant shall provide a written report to the FTC, sworn to under penalty of perjury, setting forth in detail the manner and form in which he has complied and is complying with this Modified Order. This report shall include, but not be limited to:

1. Any changes required to be reported pursuant to Subparagraph A above;

and

2. A copy of each acknowledgment of receipt of this Modified Order obtained by Defendant pursuant to Section XII of this Modified Order.

C. For the purposes of this Modified Order, Defendant shall, unless otherwise directed by the Commission's authorized representatives, mail all written notifications to the Commission to:

Director
Federal Trade Commission, Midwest Region
55 East Monroe Street, Suite 1860
Chicago, Illinois 60603
Re: *United States v. Jack Schrold*, Case No. 98-6212 CIV-ZLOCH

D. For purposes of the compliance reporting required by this Section, the Commission is authorized to communicate directly with Defendant.

XII. DISTRIBUTION OF MODIFIED ORDER BY DEFENDANT

IT IS FURTHER ORDERED that, for a period of seven (7) years from the date of entry of this Modified Order:

A. Defendant shall deliver a copy of this Modified Order to all principals, officers, directors, managers, employees, agents, and representatives having responsibilities with respect to the subject matter of this Modified Order, and shall secure from each such person a signed and dated statement acknowledging receipt of the Modified Order. Defendant shall deliver this Modified Order to current personnel within thirty (30) days after the date of entry of this Modified Order, and to new personnel within thirty (30) days after the person assumes such position or responsibilities.

B. Defendant shall deliver a copy of this Modified Order to the principals, officers, directors, managers and employees under Defendant's control for any business that (a) employs

or contracts for personal services from Defendant, and (b) has responsibilities with respect to the subject matter of this Modified Order. Defendant shall secure from each such person a signed and dated statement acknowledging receipt of the Modified Order within thirty (30) days after the date of entry of the Modified Order or the commencement of the employment relationship.

XIII. RECORD KEEPING PROVISIONS

IT IS FURTHER ORDERED that, for a period of ten (10) years from the date of entry of this Modified Order, in connection with any business where Defendant is the majority owner of the business or directly or indirectly manages or controls the business, Defendant and his agents, employees, officers, corporations, successors, and assigns, and those persons in active concert or participation with any of them who receive actual notice of this Modified Order by personal service or otherwise, are hereby restrained and enjoined from failing to create and retain the following records:

- A. Accounting records that reflect the cost of goods or services sold, revenues generated, and the disbursement of such revenues;
- B. Personnel records accurately reflecting: the name, address, and telephone number of each person employed in any capacity by such business, including as an independent contractor; that person's job title or position; the date upon which the person commenced work; and the date and reason for the person's termination, if applicable;
- C. Customer files containing the names, addresses, telephone numbers, dollar amounts paid, quantity of items or services purchased, and description of items or services purchased, to the extent such information is obtained in the ordinary course of business;
- D. Complaints and refund requests (whether received directly, indirectly or through any third party) and any responses to those complaints or requests;

E. Copies of all sales scripts, training materials, advertisements, or other promotional or marketing materials; and

F. All tests, reports, studies, surveys, demonstrations, or compilations created, generated, or produced in the course of business.

XIV. RETENTION OF JURISDICTION

IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this matter for purposes of construction, modification and enforcement of this Modified Order.

XV. STIPULATION OF THE PARTIES


The parties, by and through their counsel, stipulate to the entry of this Modified Order.

FOR THE PLAINTIFF:

PETER D. KEISLER
Assistant Attorney General


MARCOS DANIEL JIMÉNEZ
United States Attorney

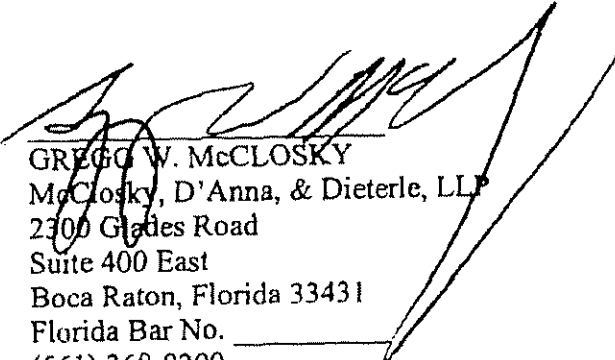
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By: 
JENNIFER E. GRISHKIN
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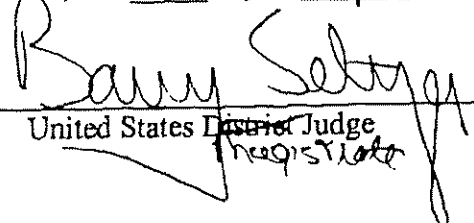
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IT IS SO ORDERED, this 20th day of April, 2005.


United States District Judge
Florida