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2 THE HONORABLE THOMAS S. ZILLY
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8 UNITED STATES DISTRICT COURT
9 WESTERN DISTRICT OF WASHINGTON
10 AT SEATTLE

11 FEDERAL TRADE COMMISSION,

12 Plaintiff,

13 v.

14 WADE COOK FINANCIAL CORP., and
15 WADE COOK SEMINARS, INC.,

16 Defendants.

Case No. C00-1698Z

**CONTEMPT ORDER AGAINST WADE
COOK FINANCIAL CORP., STOCK
MARKET INSTITUTE OF LEARNING,
and WADE BRUCE COOK (Proposed)**

17 Plaintiff, the Federal Trade Commission ("Commission or FTC"), having applied for an Order to
18 Show Cause Why defendants Wade Cook Financial Corp. ("WCFC"), Stock Market Institute of Learning,
19 Inc. (the successor to Wade Cook Seminars, Inc.) ("SMIL"), and Wade Bruce Cook should not be found in
20 contempt of the Consent Decree issued by this Court on October 13, 2000 ("Order"), and this Court having
21 considered the arguments made and the pleadings, declarations, exhibits, and memoranda filed by the parties,
22 now makes the following findings and enters the following Contempt Order:

23 **DEFINITIONS**

24 For purposes of this Contempt Order, unless otherwise indicated, the following definitions shall apply:

- 25 A. "Defendants" means Wade Cook Financial Corp., Stock Market Institute of Learning, Inc.,
26 Wade Bruce Cook, and their subsidiaries, successors and assigns.
27 B. "Clearly and prominently" means as follows:
28

1 disclose WCFC's Rate of Return achieved during the relevant disclosure period as required by the Order, at
2 Financial Clinics, on the WCFC web site, and in other promotional materials.

3 2. Defendants have violated Paragraph I.E of the Order by failing, in connection with the
4 promotion, offering for sale, or sale of any investment seminar or program, to possess and rely upon a
5 reasonable basis that substantiates representations made at Financial Clinics.

6 3. Defendants have violated Paragraph II.B of the Order by mailing the Notice and Proof of
7 Claim for the Redress Program to consumers in envelopes carrying the return address for Stock Market
8 Institute of Learning, Inc., instead of the return address for the FTC Redress Program.

9 4. Defendants have violated Paragraphs II. C and D of the Order by failing to process, evaluate,
10 and pay refunds in accordance with the requirements set forth in the Order.

11 5. Wade Bruce Cook has violated Paragraph II.H of the Order by failing to pay past due refund
12 payments owed by WCFC.

13 6. Defendants are in civil contempt of the Order and coercive and compensatory sanctions and
14 other equitable relief are appropriate.

15 16 ORDER

17 I.

18 **IT IS THEREFORE ORDERED** that defendants shall obtain from each consumer who pays to
19 attend any stock market investment seminar a signed and dated disclosure form clearly and prominently
20 containing the current Rate of Return prior to accepting payment for the seminar. A copy of the signed
21 disclosure shall be provided to the consumer. If a signed disclosure is not obtained by WCFC and a copy
22 provided to the consumer prior to WCFC accepting payment from the consumer for any stock market
23 investment seminar, or if the disclosure form does not contain the correct Rate of Return, the contract for the
24 stock market investment seminar shall be rescinded and a refund given at the request of the consumer.

25 II.

26 **IT IS FURTHER ORDERED** that:

27 A. The redress provisions of Paragraph II of the Order shall be extended, in the manner
28 described below, to consumers who paid to attend the Wall Street Workshop or any other stock market

1 investment seminar offered by defendants, between October 13, 2000, and the date of entry of this Contempt
2 Order, and who otherwise meet the eligibility and qualifying criteria of the Order, except that a subsequent
3 purchase of the IQ Pager Package (the IQ Pager bundled with other products including seminars), a Wall
4 Street Workshop Retake, or any seminar the fee for which is \$100 or less, shall not make the consumer
5 ineligible to participate in the Redress Program under this Contempt Order;

6 B. Eligible consumers under this Contempt Order shall be sent the Notice and Proof of Claim
7 appended as Attachments A and B, in envelopes bearing the FTC Redress Program return address
8 established by the Redress Administrator or the return address for the FTC's Northwest Regional Office, as
9 soon as possible but in no event later than sixty (60) days after entry of this Contempt Order;

10 C. Consumer claims under this Contempt Order shall be evaluated in accordance Paragraphs
11 II.C and II.D of the Order, except that Attachments C, D, and E to this Contempt Order, filed herewith under
12 seal, shall be used instead of Attachments C, D, and E to the Order, which are also filed under seal.

13 D. The amount to be refunded to consumers qualifying for a refund under this Contempt Order
14 shall be the entire contract amount less any gain realized during the twelve month period, or lesser period if
15 less than twelve months have elapsed, following attendance at the stock market investment seminar;

16 E. To establish their qualification for a refund under this Contempt Order consumers must submit
17 their monthly brokerage statements or other complete brokerage records that establish their gains and losses
18 from trading stocks for the entire twelve-month or shorter relevant period following attendance at the stock
19 market investment seminar, or the Schedule Ds from their tax returns for the tax years covering the entire
20 twelve-month or shorter relevant period for themselves and any entity they used for trading stocks, excluding
21 trading accounts managed by someone other than the claimant, such as mutual funds or managed IRA
22 accounts. No other documentation shall be required;

23 F. The trades to be considered when determining gains and losses for the purposes of
24 establishing qualification for a refund to post-Order claimants shall be only those trades completely transacted
25 during the twelve months, or lesser period if less than twelve months have elapsed, following attendance at the
26 stock market investment seminar, and shall not include unrealized gains, carry over gains from periods prior
27 to attending the stock market investment seminar, or gains from stocks purchased prior to attending the stock
28 market investment seminar, unless the sale of said stock results from an options transaction;

1 G. Cook and WCFC shall be jointly and severally liable for the payment of refunds to consumers
2 under this Contempt Order.

3 **III.**

4 **IT IS FURTHER ORDERED** that consumers who participated in the FTC Redress Program
5 under the Order, and whose claims have been denied for no other reason than that they returned the required
6 documentation untimely, shall be reinstated in the redress program and their claims processed according to the
7 criteria set forth in the Order.

8 **IV.**

9 **IT IS FURTHER ORDERED** that consumers who participated in the FTC Redress Program
10 under the Order and whose claims have been denied for failure to return additional information requested by
11 WCFC, where the consumers have already provided either twelve months trading records, or tax records for
12 the relevant twelve month period, shall be reinstated in the redress program and their claims processed
13 according to the criteria set forth in the Order.

14 **V.**

15 **IT IS FURTHER ORDERED** that consumers who participated in the FTC Redress Program
16 under the Order and who did not attend the Wall Street Workshop they paid to attend, and whose claim was
17 denied because they failed to return information requested by WCFC (other than Attachments D and E), shall
18 be reinstated in the redress program and their claims processed in accordance with Attachments C, D, and E
19 to the Order.

20 **VI.**

21 **IT IS FURTHER ORDERED** that consumers who participated in the FTC Redress Program
22 under the Order and who did not trade during the twelve months after attending the Wall Street Workshop
23 they paid to attend, and whose claim was denied because they failed to return information requested by
24 WCFC (other than Attachments D and E), shall be reinstated in the redress program and their claims
25 processed in accordance with Attachments C, D, and E to the Contempt Order.

26 **VII.**

27 **IT IS FURTHER ORDERED** that Rigby & Associates, is appointed Redress Administrator to
28 administer the FTC Redress Program, with full authority and control over the Redress Program. The Redress

1 Administrator shall be the agent of this Court in acting as redress administrator under this Contempt Order.

2 **VIII.**

3 **IT IS FURTHER ORDERED** that within thirty (30) days of entry of this Contempt Order
4 defendants shall deposit into an escrow account designated by the Redress Administrator, the sum of five
5 million dollars (\$5,000,000). In the event that the balance of funds in the escrow account drops to five
6 hundred thousand (\$500,000), the Redress Administrator may apply to the Court for a Supplemental Order
7 requiring defendants to deposit additional funds into the account.

8 **IX.**

9 **IT IS FURTHER ORDERED** that, if within thirty (30) days from the date of entry of this Contempt
10 Order defendants have not deposited \$5 million into the escrow account designated by the Redress
11 Administrator, then the FTC may apply to the Court for additional relief, including appointment of a receiver
12 for WCFC and SMIL.

13 **X.**

14 **IT IS FURTHER ORDERED** that the Redress Administrator shall re-mail the Notice and Proof of
15 Claim under the Order to each claimant who did not return a Proof of Claim after the initial mailing, and
16 whose claim form was not returned by the Post Office as undeliverable. The envelope in which the Notice
17 and Proof of Claim is mailed shall bear the FTC Redress Program return address established by the Redress
18 Administrator.

19 **XI.**

20 **IT IS FURTHER ORDERED** that defendants and their employees shall fully cooperate with and
21 assist the Redress Administrator in fulfilling its duties and obligations. Such cooperation and assistance shall
22 include, but not be limited to, providing any information and documents to the Redress Administrator that the
23 Redress Administrator deems necessary to exercising its authority and discharging its responsibilities.

24 **XII.**

25 **IT IS FURTHER ORDERED** that defendants are hereby restrained and enjoined from directly or
26 indirectly destroying, secreting, defacing, transferring, or otherwise altering or disposing of any documents of
27 the defendants relevant to the redress program, including, but not limited to, books, records, accounts,
28 writings, graphs, charts, audio and video recordings, computer records, and other data compilations,

1 electronically-stored records, or any other papers of any kind or nature.

2 **XIII.**

3 **IT IS FURTHER ORDERED** that the Redress Administrator and all personnel retained by the
4 Redress Administrator, are entitled to reasonable compensation and reimbursement of expenses for the
5 performance of duties pursuant to this Contempt Order, subject to the approval of the Court. Such
6 compensation and reimbursement shall be paid from the redress funds deposited by defendants into the
7 escrow account designated by the Redress Administrator. The Redress Administrator shall apply to the
8 Court for approval of such compensation and reimbursement on a bi-monthly basis, filing with the Court and
9 serving on the parties statements, which shall include a description of all services provided and expenses
10 incurred, with the first such statement filed no more than 60 days after the date of this Contempt Order.

11 **XIV.**

12 **IT IS FURTHER ORDERED** that the Redress Administrator shall file with the Clerk of this Court
13 a bond in the sum of \$10,000.00 with sureties to be approved by the Court, conditioned that the Redress
14 Administrator will well and truly perform the duties of the office and abide by and perform all acts the Court
15 directs.

