

Entered 12/13/99

Original

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA,

Plaintiff,

v.

NATIONAL FINANCIAL SYSTEMS, INC.,
a New York corporation.

Defendant.

CV 99 7874 TA1340

Civil Action No.

WEXLER

POHORESKY, B.

CONSENT ORDER

WHEREAS: Plaintiff, the United States of America, has commenced this action by filing the Complaint herein; defendant has waived service of the Summons and Complaint; the parties have been represented by the attorneys whose names appear hereafter; and the parties have agreed to settlement of this action upon the following terms and conditions, without adjudication of any issue of fact or law and without defendant admitting liability for any of the matters alleged in the Complaint;

THEREFORE, on the joint motion of plaintiff and defendant, it is hereby ORDERED, ADJUDGED, and DECREED as follows:

1. This Court has jurisdiction of the subject matter and of the parties.

2. The Complaint states a claim upon which relief may be granted against defendant under Sections 5(a)(1), 5(m)(1)(A), 9, 13(b), and 16(a) of the Federal Trade Commission Act, 15 U.S.C. §§ 45(a)(1), 45(m)(1)(A), 49, 53(b), and 56(a), and Section 814 of the Fair Debt Collection Practices Act ("FDCP Act"), 15 U.S.C. § 1692j.

3. For purposes of this Consent Order, the definitions set forth in the FDCP Act, 15 U.S.C. § 1692, shall apply.

CIVIL PENALTY

4. Defendant and its successors and assigns shall pay to plaintiff a civil penalty, pursuant to Section 5(m)(1)(A) of the Federal Trade Commission Act, 15 U.S.C. § 45(m)(1)(A), in the amount of \$20,000, to be held in an escrow account administered by Ronald D. Jacobs, Esq., attorney for defendant.

5. Defendant shall make the \$20,000 payment required by Paragraph 4 within ten (10) days of the date of entry of this Consent Order by certified or cashier's check made payable to the Treasurer of the United States and delivered to the Office of Consumer Litigation, Civil Division, U.S. Department of Justice, Washington, D.C. 20530.

6. In the event of any default in payment, which default continues for ten (10) days beyond the due date of payment, the entire unpaid penalty, together with interest, as computed pursuant to 28 U.S.C. § 1961 from the date of default to the date of payment, shall immediately become due and payable.

7. Plaintiff's agreement to this Consent Order is expressly premised upon the truthfulness, accuracy, and completeness of defendant's corporate disclosure form, sworn to on April 14, 1999; defendant's corporate financial statements for 1996, 1997, and 1998, sworn to on April 8, 1999; the 1998 personal financial statements of defendant's President, Robert H. Hernandez, and Secretary, George W. Kennedy, III, sworn to on April 8, 1999; and the affidavit of George W. Kennedy, sworn to on May 19, 1999, as well as the financial verification statements required by Paragraph 19 of this Consent Order. If, upon motion by plaintiff, this Court should find that defendant or either of its officers made a material misrepresentation or omission concerning its or his financial condition, then the Court shall enter a modified judgment holding that: (1) defendant is liable for a civil penalty of one hundred thousand dollars (\$100,000) less all prior civil penalty payments made by defendant; and (2) defendant is required to provide to plaintiff a completed financial disclosure statement attached hereto as Exhibit 1 and copies of defendant's federal and state tax returns for the two (2) years preceding the date of entry of the modified judgment. In the event that, upon motion by the plaintiff, the Court modifies this judgment as described in the preceding sentence, then by the stipulation of plaintiff and defendant, the Court finds that one hundred thousand dollars (\$100,000) less all prior civil penalty payments made by defendant will

represent the civil penalty amount which shall become immediately due and payable, and interest computed at the rate prescribed in 28 U.S.C. § 1961, as amended, shall immediately begin to accrue on the unpaid balance. Plaintiff, or any of its designees, may collect said modified judgment.

Provided, however, that in all other respects, this Consent Order shall remain in full force and effect. Proceedings under this Paragraph are in addition to, and not in lieu of, any other proceedings the plaintiff may institute to enforce this Consent Order. Solely for the purpose of reopening or enforcing this Paragraph, defendant waives any right to contest any of the allegations in the Complaint filed in this matter.

INJUNCTION

8. Defendant, its successors and assigns, and its officers, agents, servants, employees and representatives, and all persons in active concert or participation with any one or more of them who receive actual notice of this Consent Order by personal service or otherwise, are hereby permanently enjoined, directly or through any corporation, subsidiary, division or other device, in connection with the collection of a "debt" from a "consumer" as those terms are defined in Sections 803(3) and (5) of the FDCP Act, 15 U.S.C. § 1692a(3) and (5), from

- a. Making any telephone call to a consumer at any time or place known or which should be known to be inconvenient to the consumer, including between the hours of 9:00 o'clock PM and 8:00 o'clock AM local time zone at the consumer's location, without the prior consent of the consumer given directly to defendant or the express permission of a court of competent

jurisdiction, in violation of Section 805(a)(1) of the FDCP Act, 15 U.S.C.

§ 1692c(a)(1);

- b. Communicating with a consumer at the consumer's place of employment when defendant knows or has reason to know either that (i) the consumer's employer prohibits the consumer from receiving such communication, or (ii) it is inconvenient for the consumer to receive such communication, in violation of Section 805(a)(1) or (3) of the FDCP Act, 15 U.S.C. § 1692c(a)(1) or (3);
- c. Except as provided in Section 804 of the FDCP Act, communicating or threatening to communicate with any person other than the consumer, the consumer's attorney, a consumer reporting agency if otherwise permitted by law, the creditor, the creditor's attorney, or the debt collector's attorney, in connection with the collection of a debt, for any purpose other than to obtain location information about a consumer not previously known to defendant, unless defendant obtained directly the prior consent of the consumer, or the express permission of a court of competent jurisdiction, or defendant can show that such communication is reasonably necessary to effectuate a post judgment judicial remedy, in violation of Section 805(b) of the FDCP Act, 15 U.S.C. 1692c(b);

- d. Engaging in any conduct the natural consequence of which is to harass, oppress, or abuse a person, including but not limited to, using obscene or profane language, or language the natural consequence of which is to abuse the hearer, in violation of Section 806(2) of the FDCP Act, 15 U.S.C. § 1692d(2);
- e. Causing a telephone to ring continuously or engaging a person in telephone conversations repeatedly, in violation of Section 806(5) of the FDCP Act, 15 U.S.C. § 1692d(5);
- f. Using any false, deceptive, or misleading representation or means in connection with the collection of any debt, in violation of Section 807 of the FDCP Act, 15 U.S.C. § 1692e, including but not limited to,
 - i. Representing or implying that nonpayment of a debt will result in the arrest or imprisonment of any person or the seizure, garnishment, attachment, or sale of any wages or property of any person, unless such action is lawful and defendant or the creditor intends to take such action, in violation of Section 807(4) of the FDCP Act, 15 U.S.C. § 1692e(4);
 - ii. Representing or implying that any action will be taken, unless, at the time of the representation, such action is lawful and is intended to be taken, or that any action may be taken, when defendant cannot show

that, at the time of the representation, there is a reasonable likelihood that such action will be taken, in violation of Section 807(5) of the FDCP Act, 15 U.S.C. § 1692e(5); and

- g. Engaging in any other act or practice that would violate the FDCP Act, as amended, 15 U.S.C. § 1692.

NOTICE REQUIREMENTS

9. With respect to every consumer debt received for collection, beginning sixty (60) days after the date of entry of this Consent Order, defendant and its successors and assigns shall, for a period of five (5) years, make the following disclosure clearly and conspicuously on each written collection communication that is sent to a consumer:

Collection agencies must comply with a federal law that provides you with certain rights, including the right to have us stop communicating with you, if you make the request in writing. This law is administered by the Federal Trade Commission, One Bowling Green, Third Floor, New York, NY 10004.

10. Defendant and its successors and assigns shall provide a copy of the following Notice to all present officers, servants, agents, account representatives, and employees, having responsibility with respect to the collection of debts, within thirty (30) days of the date of entry of this Consent Order; and to each such employee hired for a period of five (5) years after that date, no later than the time the employee assumes responsibility with respect to the collection of debts; and shall secure from each such person a signed statement acknowledging receipt of a copy of the

Notice:

Debt collectors must comply with the federal Fair Debt Collection Practices Act, which limits our activities in trying to collect money from consumers. Most importantly, Section 806 of the Act prohibits you from harassing, oppressing, or abusing a person, including, but not limited to, using obscene or profane language. In addition, Section 807 of the Act prohibits you from using false, deceptive, or misleading representations. Individual debt collectors may be financially liable for their violations of the Act.

DISTRIBUTION OF CONSENT ORDER AND FDCP ACT BY DEFENDANT

11. Defendant and its successors and assigns shall.
 - a. Provide a copy of this Consent Order and the FDCP Act to all present officers, servants, agents, account representatives, and employees, having responsibility with respect to the collection of debts, within thirty (30) days of the date of entry of this Consent Order; and to each such employee hired for a period of five (5) years after that date, no later than the time the employee assumes responsibility with respect to the collection of debts; and shall secure from each such person a signed statement acknowledging receipt of a copy of this Consent Order and the FDCP Act; and
 - b. Maintain for a period of three (3) years after creation, and upon reasonable notice, make available to representatives of the Commission, the original signed and dated acknowledgments of receipt of copies of this Consent Order and the FDCP Act, as required in Subparagraph a. above.

MONITORING COMPLIANCE OF PERSONNEL

12. For a period of five (5) years from the date of the entry of this Consent Order, for the purpose of monitoring compliance with this Consent Order, defendant and its successors and assigns, in connection with any consumer debt collection business, shall:

- a. Take reasonable steps sufficient to monitor and ensure that all employees having responsibility with respect to the collection of debts or consumer complaint handling comply with Paragraph 8 of this Consent Order. Such steps shall include, at a minimum, the following:
 - (1) periodic, random listening to communications with consumers made by persons engaged in debt collection or consumer complaint handling functions;
 - (2) establishing a procedure for receiving and responding to consumer complaints; and
 - (3) ascertaining the number and nature of such consumer complaints regarding transactions in which each employee having responsibility for the collection of consumer debts is involved; *provided* that this Paragraph does not authorize or require defendant to take any steps that violate any federal, state, or local laws;
- b. Promptly investigate fully any consumer complaint received by any business to which this Paragraph applies; and

- c. Take corrective action with respect to any debt collector whom defendant determines is not complying with this Consent Order, which may include training, disciplining, and/or terminating such debt collector.

RECORD KEEPING PROVISIONS

13. For a period of five (5) years from the date of the entry of this Consent Order, defendant and its successors and assigns, in connection with any consumer debt collection business, shall take reasonable steps to create and maintain for a period of three (3) years following the date of such creation, unless otherwise specified:

- a. Records that reflect, for every written or oral consumer complaint, whether received directly, indirectly, or through any third party, to the extent that such information is provided to or known by defendant:
 - i. The consumer's name, address, telephone number, the creditor's name, and the names of the debt collector and supervisor having responsibility for the consumer's account;
 - ii. The written complaint, if any, the date of the complaint, and each letter or other form of written communication received from the consumer, and any notes, logs, memoranda, or other documents referring to oral consumer complaints;
 - iii. The basis of the complaint, including the names of any debt collectors or supervisors complained about; the nature of any investigation

conducted concerning the validity of any complaint; all documents relating to the disposition of the complaint, including records of all contacts with the consumer, defendant's response to the complaint and the date of the response, whether the complaint was resolved, the date of any resolution; and any action taken to punish or correct alleged conduct that violates the FDCP Act.

- b. Records accurately reflecting: the name, address, and telephone number of each person engaged in debt collection or consumer complaint handling functions, that person's job title or position, any aliases used, the date upon which the person commenced work, records of performance reviews and disciplinary actions, and the date and reason for the employee's termination, if applicable

COMPLIANCE REPORTING BY DEFENDANT

14. Defendant and its successors and assigns shall, within sixty (60) days of the date of entry of this Consent Order, and once each year thereafter for three (3) years within thirty (30) days of the anniversary of that date, file with the Director of the Northeast Regional Office of the Federal Trade Commission, a written report setting forth in detail the manner and form in which defendant has complied and is complying with this Consent Order.

15. Upon written request by a representative of the Commission, defendant shall submit additional written reports (under oath, if requested) and produce documents, as set forth in Paragraph 13, on fifteen (15) days notice with respect to any conduct subject to this Consent Order.

16. For purposes of this Consent Order, the defendant shall, unless otherwise directed by the Commission's authorized representatives, mail all written reports, notifications, and other correspondence to the Commission to:

Director
Northeast Regional Office
Federal Trade Commission
One Bowling Green, Third Floor
New York, New York 10004

Re: United States of America v. National Financial Systems, Inc.

17. For purposes of the compliance reporting required by this Section, if current counsel no longer represents defendant, plaintiff is authorized to communicate directly with defendant through its officers or directors.

18. For a period of five (5) years from the date of entry of this Consent Order, defendant and its successors and assigns shall notify the Director of the Northeast Regional Office of the Federal Trade Commission of any proposed change in the structure of defendant, such as creation, incorporation, dissolution, assignment, sale, merger, creation or dissolution of subsidiaries, proposed filing of a bankruptcy petition, or change in the corporate name or address or any other change that may affect compliance obligations arising out of this Consent Order, thirty (30) days prior to the effective date of any proposed change; *provided*, however, that with respect to any

proposed change in the corporation about which 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 learning of such proposed change; and *provided further* that this Paragraph does not authorize or require defendant to take any steps that violate any federal, state, or local laws.

19. Defendant, by its officers, shall, within ten (10) days of the date of entry of this Consent Order, submit a truthful sworn statement, in the form of Exhibit 2 to this Consent Order, that shall reaffirm and attest to the truthfulness, accuracy, and completeness of the information concerning its and its officers' financial condition referenced in Paragraph 7 herein.

FURNISHING OF TAXPAYER IDENTIFICATION NUMBER

20. Defendant is hereby required, in accordance with 31 U.S.C. § 7701, to furnish to the Federal Trade Commission its taxpayer identifying number (employer identification number), which shall be used for purposes of collecting and reporting on any delinquent amount arising out of such person's relationship with the government.

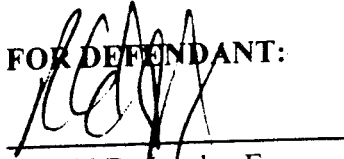
CONTINUING JURISDICTION

21. This Court shall retain jurisdiction of this matter for the purposes of enabling either of the parties to this Consent Order to apply to the Court at any time for such further orders or directives as may be necessary or appropriate for the interpretation or modification of this Consent Order, for the enforcement of compliance therewith, or for the punishment of violations thereof.

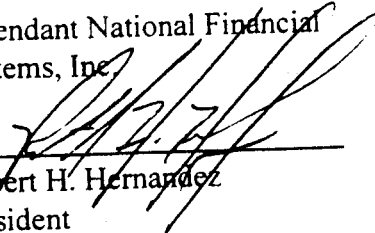
The parties, by their respective counsel, hereby consent to the terms and conditions of the Consent Order as set forth above and consent to the entry thereof. Defendant waives any rights that may arise under the Equal Access to Justice Act, 28 U.S.C. § 2412, amended by Pub. L. 104-121, 110 Stat. 847, 863-64 (1996).

STIPULATED AND AGREED TO:

FOR DEFENDANT:


Ronald D. Jacobs, Esq.
Weinberg & Jacobs, LLP
11300 Rockville Pike
Suite 1200
Rockville, MD 20852
Attorneys for Defendant
National Financial Systems, Inc.
(301) 468-5500 (telephone)
(301) 468-5504 (facsimile)

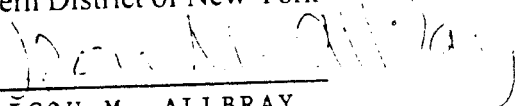
Defendant National Financial
Systems, Inc.

By: 
Robert H. Hernandez
President

FOR THE UNITED STATES OF AMERICA:

DAVID W. OGDEN
Acting Assistant Attorney General
Civil Division
U.S. Department of Justice

LORETTA E. LYNCH
United States Attorney
Eastern District of New York

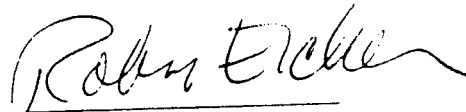
By: 
IGOU M. ALLBRAY
Assistant United States Attorney
147 Pierrepont Street
Brooklyn, NY 11201
(718) 254 - 6002

EUGENE THIROLF
Director
Office of Consumer Litigation

By: Elizabeth Stein
Elizabeth Stein
Trial Attorney
Office of Consumer Litigation
Civil Division
U.S. Department of Justice
Washington, DC 20530
(202) 307-0486

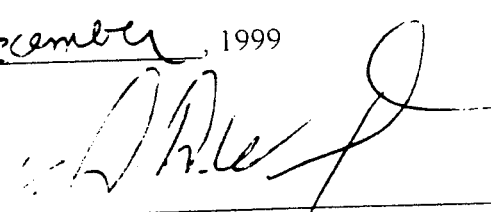
**FOR THE
FEDERAL TRADE COMMISSION:**

Barbara Anthony
Director



Robin E. Eichen
Attorney
Federal Trade Commission
Northeast Region
One Bowling Green, Third Floor
New York, NY 10004
(212) 607-2803

SO ORDERED, this 10th day of December, 1999



UNITED STATES DISTRICT JUDGE

Hempstead, NY

REASONS FOR SETTLEMENT

This statement accompanies the Consent Order executed by defendant National Financial Systems, Inc., in settlement of an action brought to recover penalties and equitable relief from defendant for engaging in acts or practices in violation of the Fair Debt Collection Practices Act, 15 U.S.C. § 1692 *et seq.*

Pursuant to Section 5(m)(3) of the Federal Trade Commission Act, as amended (15 U.S.C. 45(m)(3)), the Commission hereby sets forth its reasons for settlement by entry of a Consent Order and injunction:

On the basis of the allegations contained in the attached Complaint and the financial documents submitted by defendant, which show defendant's inability to pay a larger civil penalty, the Commission believes that the payment of a \$20,000 civil penalty by defendant constitutes an appropriate amount on which to base settlement. To protect the integrity of the settlement, which is based on financial disclosures made by defendant, upon proof that defendant materially misrepresented its financial condition, a civil penalty of \$100,000 will be imposed, less all prior civil penalty payments made by defendant. The civil penalty should ensure compliance with the law by defendant and others who may be in violation. Further, the provisions enjoining defendant from violating the Fair Debt Collection Practices Act constitute effective means to assure defendant's future compliance with the law. Additionally, with the entry of such a Consent Order, the time and expense of litigation will be avoided.

For the foregoing reasons, the Commission believes that the settlement by entry of the attached Consent Order with National Financial Systems, Inc., is justified and well within the public interest.

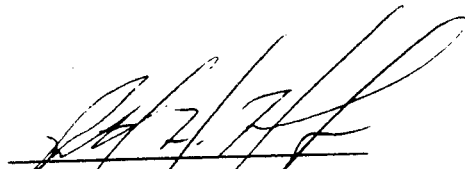
CERTIFICATE OF CORPORATE RESOLUTION

Robert H. Hernandez
I, ~~George Kennedy~~, the undersigned Secretary of National Financial Systems, Inc., a New

York corporation, do hereby certify that a meeting of the Board of Directors of said corporation was duly held on the 30th day of June, 1999, a quorum being present, and that the following resolution was adopted, and is now in full force and effect, to wit:

RESOLVED, that the Consent Order proposed to be entered in United States of America v. National Financial Systems, Inc., in the United States District Court for the Eastern District of New York, in the form and upon the terms and conditions consented to on behalf of this corporation by George Kennedy, which provides for, among other things, a civil penalty in the amount of \$20,000, hereby is, in all respects, ratified, confirmed, and approved.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of the corporation on this 30th day of June, 1999.


George Kennedy, Secretary
National Financial Systems, Inc.

FEDERAL TRADE COMMISSION

FINANCIAL STATEMENT OF CORPORATE DEFENDANT

Instructions:

1. Complete all items. Enter "None" or "N/A" ("Not Applicable") where appropriate. If you cannot fully answer a question, explain why.
2. In completing this financial statement, "the corporation" refers not only to this corporation but also to each of its predecessors that are not named defendants in this action.
3. When an Item asks for information about assets or liabilities "held by the corporation," include ALL such assets and liabilities, located within the United States or elsewhere, held by the corporation or held by others for the benefit of the corporation.
4. Attach continuation pages as needed. On the financial statement, state next to the Item number that the Item is being continued. On the continuation page(s), identify the Item number being continued.
5. Type or print legibly.
5. An officer of the corporation must sign and date the completed financial statement on the last page and initial each page in the space provided in the lower right corner.

Penalty for False Information:

Federal law provides that any person may be imprisoned for not more than five years, fined, or both, if such person:

(1) "in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry" (18 U.S.C. § 1001);

(2) "in any . . . statement under penalty of perjury as permitted under section 1746 of title 28, United States Code, willfully subscribes as true any material matter which he does not believe to be true" (18 U.S.C. § 1621); or

(3) "in any (. . . statement under penalty of perjury as permitted under section 1746 of title 28, United States Code) in any proceeding before or ancillary to any court or grand jury of the United States knowingly makes any false material declaration or makes or uses any other information . . . knowing the same to contain any false material declaration." (18 U.S.C. § 1623)

For a felony conviction under the provisions cited above, federal law provides that the fine may be not more than the greater of (i) \$250,000 for an individual or \$500,000 for a corporation, or (ii) if the felony results in pecuniary gain to any person or pecuniary loss to any person other than the defendant, the greater of twice the gross gain or twice the gross loss. 18 U.S.C. § 3571.

BACKGROUND INFORMATION

Item 1. General Information

Corporation's Full Name _____

Primary Business Address _____ From (Date) _____

Telephone No. _____ Fax No. _____

E-Mail Address _____ Internet Home Page _____

All other current addresses & previous addresses for past five years, including post office boxes and mail drops:

Address _____ From/Until _____

Address _____ From/Until _____

Address _____ From/Until _____

All predecessor companies for past five years:

Name & Address _____ From/Until _____

Name & Address _____ From/Until _____

Name & Address _____ From/Until _____

Item 2. Legal Information

Federal Taxpayer ID No. _____ State & Date of Incorporation _____

State Tax ID No. _____ State _____ Profit or Not For Profit _____

Corporation's Present Status: Active _____ Inactive _____ Dissolved _____

If Dissolved: Date dissolved _____ By Whom _____

Reasons _____

Fiscal Year-End (Mo./Day) _____ Corporation's Business Activities _____

Item 3. Registered Agent

Name of Registered Agent _____

Address _____ Telephone No. _____

Item 4. Principal Stockholders

List all persons and entities that own at least 5% of the corporation's stock.

<u>Name & Address</u>	<u>% Owned</u>
_____	_____
_____	_____
_____	_____
_____	_____

Item 5. Board Members

List all members of the corporation's Board of Directors.

<u>Name & Address</u>	<u>% Owned</u>	<u>Term (From/Until)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Item 6. Officers

List all of the corporation's officers, including *de facto* officers (individuals with significant management responsibility whose titles do not reflect the nature of their positions).

<u>Name & Address</u>	<u>% Owned</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Item 7. Businesses Related to the Corporation

List all corporations, partnerships, and other business entities in which this corporation has an ownership interest.

<u>Name & Address</u>	<u>Business Activities</u>	<u>% Owned</u>

State which of these businesses, if any, has ever transacted business with the corporation _____

Item 8. Businesses Related to Individuals

List all corporations, partnerships, and other business entities in which the corporation's principal stockholders, board members, or officers (i.e., the individuals listed in Items 4 - 6 above) have an ownership interest.

<u>Individual's Name</u>	<u>Business Name & Address</u>	<u>Business Activities</u>	<u>% Owned</u>

State which of these businesses, if any, have ever transacted business with the corporation _____

Item 9. Related Individuals

List all related individuals with whom the corporation has had any business transactions during the three previous fiscal years and current fiscal year-to-date. A "related individual" is a spouse, sibling, parent, or child of the principal stockholders, board members, and officers (i.e., the individuals listed in Items 4 - 6 above).

<u>Name and Address</u>	<u>Relationship</u>	<u>Business Activities</u>

Item 10. Outside Accountants

List all outside accountants retained by the corporation during the last three years.

<u>Name</u>	<u>Firm Name</u>	<u>Address</u>	<u>CPA/PA?</u>

Item 11. Corporation's Recordkeeping

List all individuals within the corporation with responsibility for keeping the corporation's financial books and records for the last three years.

<u>Name, Address, & Telephone Number</u>	<u>Position(s) Held</u>

Item 12. Attorneys

List all attorneys retained by the corporation during the last three years.

<u>Name</u>	<u>Firm Name</u>	<u>Address</u>

Item 13. Pending Lawsuits Filed by the Corporation

List all pending lawsuits that have been filed by the corporation in court or before an administrative agency. (List lawsuits that resulted in final judgments or settlements in favor of the corporation in Item 25).

Opposing Party's Name & Address _____
Court's Name & Address _____
Docket No. _____ Relief Requested _____ Nature of Lawsuit _____
_____ Status _____

Item 14. Current Lawsuits Filed Against the Corporation

List all pending lawsuits that have been filed against the corporation in court or before an administrative agency. (List lawsuits that resulted in final judgments, settlements, or orders in Items 26 - 27).

Opposing Party's Name & Address _____
Court's Name & Address _____
Docket No. _____ Relief Requested _____ Nature of Lawsuit _____
_____ Status _____

Item 15. Bankruptcy Information

List all state insolvency and federal bankruptcy proceedings involving the corporation.

Commencement Date _____ Termination Date _____ Docket No. _____
If State Court: Court & County _____ If Federal Court: District _____
Disposition _____

Item 16. Safe Deposit Boxes

List all safe deposit boxes, located within the United States or elsewhere, held by the corporation, or held by others for the benefit of the corporation. *On a separate page, describe the contents of each box.*

<u>Owner's Name</u>	<u>Name & Address of Depository Institution</u>	<u>Box No.</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

FINANCIAL INFORMATION

REMINDER: When an Item asks for information about assets or liabilities "held by the corporation," include ALL such assets and liabilities, located within the United States or elsewhere, held by the corporation or held by others for the benefit of the corporation.

Item 17. Tax Returns

List all federal and state corporate tax returns filed for the last three complete fiscal years. *Attach copies of all returns.*

<u>Federal/ State/Both</u>	<u>Tax Year</u>	<u>Tax Due Federal</u>	<u>Tax Paid Federal</u>	<u>Tax Due State</u>	<u>Tax Paid State</u>	<u>Preparer's Name</u>
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	_____

Item 18. Financial Statements

List all financial statements that were prepared for the corporation's last three complete fiscal years and for the current fiscal year-to-date. *Attach copies of all statements, providing audited statements if available.*

<u>Year</u>	<u>Balance Sheet</u>	<u>Profit & Loss Statement</u>	<u>Cash Flow Statement</u>	<u>Changes in Owner's Equity</u>	<u>Audited?</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Item 19. Financial Summary

For each of the last three complete fiscal years and for the current fiscal year-to-date for which the corporation has not provided a profit and loss statement in accordance with Item 17 above, provide the following summary financial information.

	<u>Current Year-to-Date</u>	<u>1 Year Ago</u>	<u>2 Years Ago</u>	<u>3 Years Ago</u>
<u>Gross Revenue</u>	\$ _____	\$ _____	\$ _____	\$ _____
<u>Expenses</u>	\$ _____	\$ _____	\$ _____	\$ _____
<u>Net Profit After Taxes</u>	\$ _____	\$ _____	\$ _____	\$ _____
<u>Payables</u>	\$ _____	[REDACTED]		
<u>Receivables</u>	\$ _____	[REDACTED]		

Item 20. Cash, Bank, and Money Market Accounts

List cash and all bank and money market accounts, including but not limited to, checking accounts, savings accounts, and certificates of deposit, held by the corporation. The term "cash" includes currency and uncashed checks.

Cash on Hand \$ _____ Cash Held for the Corporation's Benefit \$ _____

<u>Name & Address of Financial Institution</u>	<u>Signator(s) on Account</u>	<u>Account No.</u>	<u>Current Balance</u>
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____

Item 21. Government Obligations and Publicly Traded Securities

List all U.S. Government obligations, including but not limited to, savings bonds, treasury bills, or treasury notes, held by the corporation. Also list all publicly traded securities, including but not limited to, stocks, stock options, registered and bearer bonds, state and municipal bonds, and mutual funds, held by the corporation.

Issuer _____ Type of Security/Obligation _____

No. of Units Owned _____ Current Fair Market Value \$ _____ Maturity Date _____

Issuer _____ Type of Security/Obligation _____

No. of Units Owned _____ Current Fair Market Value \$ _____ Maturity Date _____

Item 22. Real Estate

List all real estate, including leaseholds in excess of five years, held by the corporation.

Type of Property _____ Property's Location _____

Name(s) on Title and Ownership Percentages _____

Current Value \$ _____ Loan or Account No. _____

Lender's Name and Address _____

Item 22. Continued

Current Balance On First Mortgage \$ _____ Monthly Payment \$ _____

Other Loan(s) (describe) _____ Current Balance \$ _____

Monthly Payment \$ _____ Rental Unit? _____ Monthly Rent Received \$ _____

Item 23. Other Assets

List all other property, by category, with an estimated value of \$2,500 or more, held by the corporation, including but not limited to, inventory, machinery, equipment, furniture, vehicles, customer lists, computer software, patents, and other intellectual property.

<u>Property Category</u>	<u>Property Location</u>	<u>Acquisition Cost</u>	<u>Current Value</u>
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____

Item 24. Trusts and Escrows

List all persons and other entities holding funds or other assets that are in escrow or in trust for the corporation.

<u>Trustee or Escrow Agent's Name & Address</u>	<u>Description and Location of Assets</u>	<u>Present Market Value of Assets</u>
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____

Initials

Item 25. Monetary Judgments and Settlements Owed To the Corporation

List all monetary judgments and settlements, recorded and unrecorded, owed to the corporation.

Opposing Party's Name & Address _____
Court's Name & Address _____ Docket No. _____
Nature of Lawsuit _____ Date of Judgment _____ Amount \$ _____

Item 26. Monetary Judgments and Settlements Owed By the Corporation

List all monetary judgments and settlements, recorded and unrecorded, owed by the corporation.

Opposing Party's Name & Address _____
Court's Name & Address _____ Docket No. _____
Nature of Lawsuit _____ Date _____ Amount \$ _____

Item 27. Government Orders and Settlements

List all existing orders and settlements between the corporation and any federal or state government entities.

Name of Agency _____ Contact Person _____
Address _____ Telephone No. _____
Agreement Date _____ Nature of Agreement _____

Item 28. Credit Cards

List all of the corporation's credit cards and store charge accounts and the individuals authorized to use them.

<u>Name of Credit Card or Store</u>	<u>Names of Authorized Users and Positions Held</u>
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_____	_____
_____	_____
_____	_____
_____	_____

Item 29. Compensation of Employees

List all compensation and other benefits received from the corporation by the five most highly compensated employees, independent contractors, and consultants (other than those individuals listed in Items 5 and 6 above), for the two previous fiscal years and current fiscal year-to-date. "Compensation" includes, but is not limited to, salaries, commissions, consulting fees, bonuses, dividends, distributions, royalties, pensions, and profit sharing plans. "Other benefits" include, but are not limited to, loans, loan payments, rent, car payments, and insurance premiums, whether paid directly to the individuals, or paid to others on their behalf.

<u>Name/Position</u>	<u>Current Fiscal Year-to-Date</u>	<u>1 Year Ago</u>	<u>2 Years Ago</u>	<u>Compensation or Type of Benefits</u>
_____	\$ _____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	\$ _____	_____

Item 30. Compensation of Board Members and Officers

List all compensation and other benefits received from the corporation by each person listed in Items 5 and 6, for the current fiscal year-to-date and the two previous fiscal years. "Compensation" includes, but is not limited to, salaries, commissions, consulting fees, dividends, distributions, royalties, pensions, and profit sharing plans. "Other benefits" include, but are not limited to, loans, loan payments, rent, car payments, and insurance premiums, whether paid directly to the individuals, or paid to others on their behalf.

<u>Name/Position</u>	<u>Current Fiscal Year-to-Date</u>	<u>1 Year Ago</u>	<u>2 Years Ago</u>	<u>Compensation or Type of Benefits</u>
_____	\$ _____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	\$ _____	_____

Item 31. Transfers of Assets Including Cash and Property

List all transfers of assets over \$2,500 made by the corporation, other than in the ordinary course of business, during the previous three years, by loan, gift, sale, or other transfer.

<u>Transferee's Name, Address, & Relationship</u>	<u>Property Transferred</u>	<u>Aggregate Value</u>	<u>Transfer Date</u>	<u>Type of Transfer (e.g., Loan, Gift)</u>
		\$		
		\$		
		\$		

Item 32. Documents Attached to the Financial Statement

List all documents that are being submitted with the financial statement.

<u>Item No.</u>	<u>Document Relates To</u>	<u>Description of Document</u>

I am submitting this financial statement voluntarily and with the understanding that it may affect action by the Federal Trade Commission or a federal court. I have used my best efforts to obtain the information requested in this statement. The responses I have provided to the items above are true and contain all the requested facts and information of which I have notice or knowledge. I have provided all requested documents in my custody, possession, or control. I know of the penalties for false statements under 18 U.S.C. § 1001, 18 U.S.C. § 1621, and 18 U.S.C. § 1623 (five years imprisonment and/or fines). I certify under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed on:

(Date)

Signature

Corporate Position

Initials _____

SIR:

PLEASE TAKE NOTICE that the within will be presented for settlement and signature to the Clerk

of the United States District Court in his office at the UNITED STATES DISTRICT COURT U.S. Courthouse, 225 Cadman Plaza East, EASTERN DISTRICT OF NEW YORK

Brooklyn, New York, on the _____ day of _____, 19____, at 10:30 o'clock in the forenoon.

Dated: Brooklyn New York, _____, 19____

United States Attorney,

Attorney for _____

To:

Attorney

for _____

SIR:

PLEASE TAKE NOTICE that the within is a true copy of _____ duly entered herein

on the _____ day of _____, in the office of the Clerk of the Eastern District of New York,

Dated: Brooklyn, New York _____, 19____

United States Attorney,

Attorney for _____

To:

Civil Action No. CV _____

UNITED STATES DISTRICT COURT Eastern District of New York

UNITED STATES OF AMERICA.

Plaintiff,

- against -

NATIONAL FINANCIAL SYSTEMS, INC., a New York corporation,

Defendant.

CONSENT ORDER

LORETTA E. LYNCH

United States Attorney, One Pierrepont Plaza Brooklyn, New York 11201

Due service of a copy of the within _____ is hereby admitted.

Dated: _____, 19____

Attorney for Defendant Igon M. Allbray, AUSA (718) 254-6002/7000