

equitable relief against all defendants and ordered a freeze of non-debtor defendants' assets on September 12, 2003. Among other things, the TRO contained an order for all defendants to show cause why a preliminary injunction should not issue against them. This matter having come before the Court upon the FTC's Motion, and the FTC and Stewart Finance Company, Inc. ("SFC"); Stewart National Finance Company, Inc. ("SNFC"); Stewart Finance Company of Louisiana, Inc. ("SFC LA"); Stewart Finance Company of Missouri, Inc. ("SFC MO"); Stewart Finance Company of Illinois, Inc. ("SFC IL"); Stewart Finance Company of Tennessee, Inc. ("SFC TN"); and D & E Acquisitions, Inc. ("D & E") (collectively "Debtor Defendants") having agreed to the entry of this Order, the Court finds that:

1. This Court has jurisdiction over the subject matter of this case. The FTC contends that venue is proper pursuant to 28 U.S.C. § 1331. The Debtor Defendants consent to the entry of this preliminary injunction and waive any objection with respect to this order, its enforcement, interpretation and/or modification by this Court. Debtor Defendants reserve all other issues regarding this action, including the right to assert claims and defenses pursuant to Federal Rule of Civil Procedure 12, including but not limited to challenges to venue under 28 U.S.C. § 1404, pending their filing of responsive pleadings herein.

2. The FTC contends that Debtor Defendants have engaged and are likely to continue to engage in acts or practices that violate Section 5(a) of the FTC Act, 15 U.S.C. § 45(a); Section 108(c) of the TILA, 15 U.S.C. § 1607(c); the TILA, 15 U.S.C. §§ 1601-1666j, as amended; and the TILA's implementing Regulation Z, 12 C.F.R. § 226, as amended, and that the FTC is therefore likely to prevail on the merits of this action;

3. The FTC contends that immediate and irreparable harm will result from Debtor Defendants' ongoing violations of the FTC Act and the TILA unless Debtor Defendants are restrained and enjoined by order of this Court;

4. The FTC contends that weighing the equities and considering the FTC's likelihood of ultimate success, a preliminary injunction and other equitable relief is in the public interest;

5. On February 10, 2003, SFC and SNFC filed voluntary petitions for relief under the reorganization provisions of Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court, Middle District of Georgia ("Bankruptcy Court"), Case Nos. 03-30277 (RFH) and 03-30278 (RFH), respectively. On February 27, 2003, D & E filed a voluntary petition for relief under the reorganization provisions of Chapter 11 of the Bankruptcy Code in the same court, Case No. 03-30398 (RFH). Counsel for the FTC and the Debtor Defendants recently learned that defendants SFC LA,

SFC MO, SFC TN and SFC IL were merged into Debtor Defendant SFC in July of 2001. On September 9, 2003, the Bankruptcy Court appointed S. Gregory Hays as Chapter 11 Trustee (the "Trustee") for the Debtor Defendants in the three bankruptcy cases named above. The FTC contends that pursuant to 11 U.S.C. § 362(b)(4), the commencement and continuation of this action by the FTC against SFC, SNFC, and D & E, including the enforcement of a judgment other than a money judgment, is not stayed by 11 U.S.C. § 362(a). The Debtor Defendants agree that the entry of this Order and the relief granted herein to which they hereby consent, is not stayed.

6. This Order does not constitute and shall not be interpreted as an admission by Debtor Defendants that they have engaged in violations of any law or regulation, and they reserve their rights to contest the merits of this lawsuit.

7. No security is required of any agency of the United States for issuance of a preliminary injunction. Fed. R. Civ. P. 65(c); and

8. This order is in the public interest.

IT IS THEREFORE ORDERED AS FOLLOWS:

DEFINITIONS

I. For the purposes of this Order, the following definitions shall apply:

A. "Defendants" means Stewart Finance Company Holdings, Inc. ("SFC Holdings"); Stewart Finance Company, Inc. ("SFC"); Stewart National Finance Company, Inc. ("SNFC"); Stewart Finance Company of Louisiana, Inc. ("SFC LA"); Stewart Finance Company of Missouri, Inc. ("SFC MO"); Stewart Finance Company of Illinois, Inc. ("SFC IL"); Stewart Finance Company of Tennessee, Inc. ("SFC TN"); John Ben Stewart, Jr. ("Ben Stewart"); D & E Acquisitions, Inc. ("D & E"); Preferred Choice Auto Club, Inc. ("Preferred Choice Auto Club"); Stewart Insurance Ltd. ("Stewart Insurance"); and J & J Insurance, Ltd. ("J & J Insurance").

1. "Debtor Defendants" means SFC, SFC LA, SFC MO, SFC IL, SFC TN, SNFC, and D & E, by and through the Trustee.

2. "Non-debtor defendants" means any other defendant not designated as a debtor defendant, including Ben Stewart, SFC Holdings, Preferred Choice Auto Club, Stewart Insurance, and J & J Insurance.

B. "Document(s)" or "record(s)" means

1. The original or a true copy of any written, typed, printed, electronically stored, transcribed, taped, recorded, filmed, punched, or graphic matter or other data compilations of any kind, including, but not limited to, letters, e-mail or other correspondence, messages, memoranda, interoffice communications, notes, reports, summaries, manuals, magnetic tapes or discs, tabulations, books, records, checks, invoices, work papers,

journals, ledgers, statements, returns, reports, schedules, or files; and

2. Any information stored on any desktop personal computer ("PC") and workstations, laptops, notebooks, and other portable computers, whether assigned to individuals or in pools of computers available for shared use; and home computers used for work-related purposes; backup disks and tapes, archive disks and tapes, and other forms of offline storage, whether stored onsite with the computer used to generate them, stored offsite in another company facility or stored offsite by a third-party, such as in a disaster recovery center; and computers and related offline storage used by Defendants' participating associates, which may include persons who are not employees of the company or who do not work on company premises.

C. "Assets" means any legal or equitable interest in, right to, or claim to, any real and personal property, including but not limited to chattel, goods, instruments, equipment, fixtures, general intangibles, effects, leaseholds, mail or other deliveries, inventory, checks, notes, accounts, credits, receivables, funds, monies, and all cash, wherever located.

D. "Financial Institution" means any bank, savings and loan institution, credit union, or any financial depository of any kind, including but not limited to any brokerage house, trustee, broker-dealer, escrow agent, title company, commodity

trading company, or precious metal dealer.

E. "AD&D" means accidental death and dismemberment insurance coverage.

F. "Car Club" means membership in automobile associations.

ORDER PROHIBITING CERTAIN BUSINESS ACTIVITIES

II. IT IS HEREBY ORDERED that the Debtor Defendants and their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with Debtor Defendants who receive actual notice of this Order by personal service or otherwise, and each of them, are hereby restrained and enjoined from:

A. Violating Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), including but not limited to:

1. failing to disclose or to disclose adequately¹ additional terms pertaining to the extension of credit, such as: (a) that the quoted monthly payment amount includes premiums for AD & D and/or Car Club at a cost that is added to the loan amount, and the amount of those costs; (b) that the entire cost of the premiums for AD & D and Car Club is to be paid up front and financed with the loan, and the consumer will pay additional

¹ For purposes of this Order only, the FTC and Debtor Defendants agree that Debtor Defendants may meet any requirement "to disclose adequately" by satisfying the disclosure requirements set forth in the FTC's and Trustee's Employee Instructions, previously agreed.

interest charges as a result; and (c) that the purchase of AD & D and Car Club is optional on the part of the consumer and not required to obtain the loan;

2. failing to disclose or to disclose adequately: (a) to consumers who have an existing Car Club membership, that a new Car Club membership in effect at the same time as the existing Car Club membership will provide no additional benefit to the consumer; (b) to consumers who are ineligible for AD & D due to age restrictions, that they would not benefit from purchasing coverage under such a policy; and (c) to consumers who have already purchased the maximum amount of coverage allowable under the terms of the applicable AD & D policy, that they would not benefit from purchasing additional coverage under such a policy;

3. soliciting consumers to borrow a specific amount of money (i.e. through "cash available" solicitations) without providing consumers with the option to borrow only the amount stated in the solicitation (plus mandatory credit costs) or without first presenting the consumer with a document comparing the cost of a new loan in the amount of the solicitation versus the cost of a renewal loan; and

4. representing to consumers, in connection with extensions of credit, expressly or by implication, that the direct deposit program or Directo program are free services when, in fact, the consumers who participate in Debtor Defendants'

direct deposit program must pay a monthly fee and often must pay the cost of using an ATM to withdraw funds from the account into which their income payments have been deposited.

B. Violating Sections 106, 107, and 128 of the TILA, 15 U.S.C. §§ 1605, 1606, and 1638, and Sections 226.4, 226.18(b), (d), and (e), and 226.22 of Regulation Z, 12 C.F.R. §§ 226.4, 226.18(b), (d), and (e), and 226.22, including but not limited to:

1. requiring consumers to purchase AD & D and/or Car Club in connection with an extension of closed-end consumer credit, while also failing to include the cost of such ancillary products in the finance charge and annual percentage rate disclosed to those consumers; and

2. wrongfully including the cost of such ancillary products in the amount financed disclosed to those consumers.

C. Misrepresenting, directly or by implication, any person's eligibility for credit insurance and/or ancillary products including, but not limited to, AD&D and Car Club;

D. Misrepresenting, directly or by implication, that any person will benefit from concurrent AD&D coverages and/or multiple Car Club memberships; and

E. Denying any person the extension of credit based solely upon their election not to purchase ancillary products or insurance, such as AD & D and Car Club.

RETENTION OF ASSETS AND DOCUMENTS BY THIRD PARTIES

III. IT IS FURTHER ORDERED that, pending determination of the FTC's request for final relief, the Debtor Defendants shall:

A. Hold and retain within such entity's or person's control, and prohibit the withdrawal, removal, assignment, transfer, pledge, hypothecation, encumbrance, disbursement, dissipation, conversion, sale, liquidation, or other disposal of any funds, documents, property, or other assets held by or under such entity's or person's control:

1. on behalf of, or for the benefit of, any non-Debtor Defendant or other party subject to an asset freeze order entered in this case by this Court;

2. in any account maintained in the name of, or subject to withdrawal by, any non-Debtor Defendant or other party subject to an asset freeze order entered in this case by this Court;

3. that are subject to access or use by, or under the signatory power of, any non-Debtor Defendant or other party subject to an asset freeze order entered in this case by this Court;

B. Deny access to any safe deposit boxes that are either:

1. titled in the name, individually or jointly, of any non-Debtor Defendant or other party subject to an asset freeze order entered in this case by this Court; or

2. subject to access by non-Debtor Defendant or other party subject to an asset freeze order entered in this case by this Court.

C. Provide to counsel for the FTC, within ten (10) days, a statement setting forth,

1. the identification of each account or asset titled in the name, individually or jointly, or held on behalf of, or for the benefit of, any non-Debtor Defendant or other party subject to an asset freeze order entered in this case by this Court, whether in whole or in part;

2. the balance of each such account, or a description of the nature and value of such asset;

3. the identification of any safe deposit box that is either titled in the name of, individually or jointly, or is otherwise subject to access or control by, any non-Debtor Defendant or other party subject to an asset freeze order entered in this case by this Court, whether in whole or in part; and

4. if the account, safe deposit box, or other asset has been closed or removed, the date closed or removed and the balance on said date.

D. The accounts subject to this Paragraph III include existing assets and assets deposited after the effective date of this Order. This Paragraph III shall not prohibit transfers in accordance with any provision of this Order, or any further order

of the Court.

E. Notwithstanding anything herein to the contrary, the accounts subject to this Paragraph III shall exclude the property of the Debtor Defendants' respective bankruptcy estates as defined by 11 U.S.C. § 541(a).

RECORD KEEPING PROVISIONS

IV. IT IS FURTHER ORDERED that Debtor Defendants, and those persons in active concert or participation with them who receive actual notice of this Order by personal service, facsimile, or otherwise, are hereby enjoined, without authority of the Bankruptcy Court, following notice to the FTC in accordance with the requirements of the Federal Rules of Bankruptcy Procedure, which notice shall not be shortened without consent of the FTC, from:

A. Destroying, erasing, mutilating, concealing, altering, transferring or otherwise disposing of, in any manner, directly or indirectly,

1. contracts, agreements, customer loan files, customer lists, customer addresses and telephone numbers, correspondence, advertisements, brochures, sales material, training material, accounting ledgers, bank statements, sales presentations, documents evidencing or referring to Defendants' products, computerized records including electronic accounting

data and loan data, books, written or printed records, "verification" or "compliance" tapes or other audio or video tape recordings, copies of federal, state or local business or personal income or property tax returns that relate to the business practices or business finances of Defendants or other entity directly or indirectly under the control of Defendants, and

2. except as necessary in the ordinary course of business, handwritten notes, telephone logs, receipt books, invoices, postal receipts, canceled checks and check registers, appointment books, and other documents or records of any kind, including electronically-stored materials, that relate to the business practices or business or personal finances of Defendants or other entity directly or indirectly under the control of Defendants; and

B. Failing to maintain books, records, and accounts which, in reasonable detail, accurately, fairly, and completely reflect the incomes, assets, disbursements, transactions and use of monies by Debtor Defendants or other entity directly or indirectly under the control of Debtor Defendants, which duties are consistent with the Trustee's fiduciary obligations under 11 U.S.C. § 1106.

NOTICE TO EMPLOYEES

V. IT IS FURTHER ORDERED that Debtor Defendants shall immediately provide a copy of this Order to each of their corporations and to every employee at the level of Regional Supervisor and higher. All other employees shall receive a notice from the Debtor Defendants stating that they must continue to follow the practices described in the Employee Instructions referenced in note 1, supra, pending further order of this Court. Within ten (10) calendar days following service of this Order by the FTC, the Debtor Defendants shall provide the FTC with an affidavit identifying the names, titles, and addresses of the persons and entities that Debtor Defendants have served with a copy of this Order or notice, as appropriate, in compliance with this provision.

CORRESPONDENCE WITH PLAINTIFF

VII. For the purposes of this Order, all service on and correspondence to the FTC shall be addressed to: Monica E. Vaca, Esq., Federal Trade Commission, 601 New Jersey Avenue, NW, NJ-3158, Washington, DC 20580. Telephone: (202) 326-2245; Facsimile: (202) 326-3768.

SERVICE OF THIS ORDER

VIII. IT IS FURTHER ORDERED that copies of this Order may be served by facsimile transmission, personal or overnight delivery, or U.S. Mail, by agents and employees of the FTC or any state or federal law enforcement agency or by private process server, on (1) Defendants, and (2) any other person or entity that may be subject to any provision of this Order.

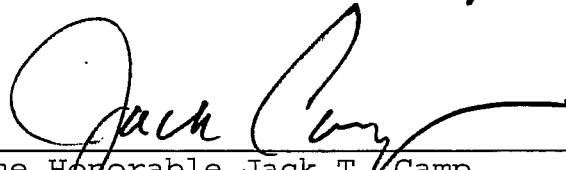
RETENTION OF JURISDICTION

IX. This Court retains jurisdiction over the subject matter of this case, including enforcement, interpretation, and modification of this preliminary injunction.

NO PREJUDICIAL EFFECT

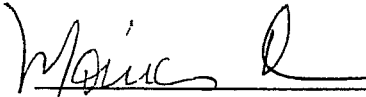
X. This Order and Debtor Defendants' consent hereto is without prejudice to Debtor Defendants' rights with respect to this action, except as specifically provided herein.

IT IS SO ORDERED, this 8 day of October, 2003, at 2p m.

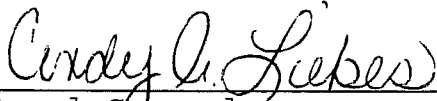


The Honorable Jack T. Camp
UNITED STATES DISTRICT JUDGE

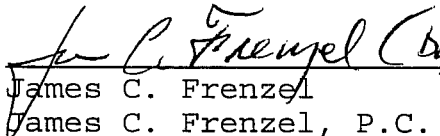
Consented to by:



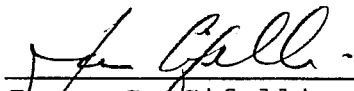
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his permission)

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