

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

FILED
FEB 1 2008
CLERK'S OFFICE
DETROIT

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

MAZZONI & SON, INC.,
a Michigan corporation, *et al.*,

Defendants.

CASE NO. 06-15766

Honorable John Feikens
FILED
FEB 26 2008
CLERK'S OFFICE
DETROIT

STIPULATED FINAL JUDGMENT AND ORDER FOR PERMANENT INJUNCTION
AS TO ALL DEFENDANTS

Plaintiff, the Federal Trade Commission ("FTC" or "Commission"), filed its Complaint in the United States District Court for the Northern District of Ohio on October 3, 2006, seeking a Permanent Injunction and Other Relief, including redress to consumers, pursuant to Sections 13(b) and 19(a) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 53(b) and 57b(a). On October 3, 2006, the Court entered an Ex Parte Temporary Restraining Order With Appointment of Receiver, Asset Freeze and Accounting, and Order to Show Cause Why a Preliminary Injunction Should Not Issue (the "TRO"), wherein the Court appointed Phillip S. Stenger as Temporary Receiver for Defendant Mazzoni & Son, Inc. d/b/a EDI Healthclaims Network ("EDP"). The FTC filed an Amended Complaint on October 10, 2006. On November 6, 2006, the parties entered into a Stipulated Preliminary Injunction ("Preliminary Injunction") wherein, among other things, the Temporary Receiver was appointed as receiver for the other corporate defendants for the limited purpose of establishing an escrow account and monitoring operations of the other Corporate Defendants. The Temporary Receiver continued as receiver for Mazzoni & Son, Inc. with full powers to manage the affairs of that defendant. The matter was transferred to this district on December 14, 2006, pursuant to order of the court for the Northern District of Ohio. Simultaneously with the filing of this order, plaintiff has filed its Second Amended Complaint.

The Commission alleges that Defendants engaged in deceptive acts and practices in violation of Section 5 of the FTC Act, 15 U.S.C. § 45(a), and the Commission's Rule entitled Disclosure Requirements and Prohibitions Concerning Franchise and Business Opportunity Ventures (the "Franchise Rule"), 16 C.F.R. Part 436, in the marketing and sale of a work-at-home electronic medical billing business opportunity. Defendants have denied all allegations of wrongdoing in the Commission's complaint, have contested the Commission's authority to seek certain requested relief, and have denied any liability in any amount under any theory asserted by the Commission.

On April 13, 2007, Defendant Chester J. Mazzoni, Jr. filed a voluntary petition for relief under the liquidation provisions of Chapter 7 of the Bankruptcy Code, 11 U.S.C. § 101 et seq., in the United States Bankruptcy Court for the Eastern District of Michigan, Case No. 07-47294-pjs. The Commission's action against Defendant Chester J. Mazzoni, Jr., including the enforcement of a judgment other than a monetary judgment obtained in this action, is not stayed by 11 U.S.C. § 362(a)(1), (2), (3) or (6) because it is an exercise of the Commission's police or regulatory power as a governmental unit pursuant to 11 U.S.C. § 362(b)(4) and thus falls within an exception to the automatic stay.

The Commission and undersigned Defendants hereby stipulate to the entry of, and request the Court to enter, this stipulated Final Judgment and Order for Permanent Injunction ("Final Order") to resolve all matters of dispute between them in this action without a trial on the merits, presentation of evidence or further judicial proceedings.

FINDINGS OF FACT

IT IS THEREFORE STIPULATED, AGREED, AND ORDERED as follows:

1. This Court has jurisdiction of the subject matter of this case and jurisdiction over the Defendants.
2. Venue in this District is proper under 15 U.S.C. § 53(b) and 28 U.S.C. §§ 1391(b) and (c).
3. The activities of Defendants are in or affecting commerce, as defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

4. The Second Amended Complaint states a claim upon which relief may be granted under Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the Commission's Franchise Rule.

5. Defendants have entered into this Final Order freely and without coercion. Defendants further acknowledge that they have read the provisions of this Final Order and are prepared to abide by them.

6. The Commission and Defendants agree that the entry of this Final Order resolves all matters of dispute between them arising from the conduct which is the subject of the Second Amended Complaint in this action, up to the date of entry of this Final Order.

7. Defendants waive all rights to seek appellate review or otherwise challenge or contest the validity of this Final Order. Defendants further waive and release any claim they may have against the Commission, its employees, representatives, or agents.

8. Defendants agree that this Final Order does not entitle Defendants to seek or to obtain attorneys' fees as a prevailing party under the Equal Access to Justice Act, 28 U.S.C. § 2412, as amended by Pub. L. 104-121, 110 Stat. 847, 863-64 (1996), and Defendants further waive any rights to attorneys' fees that may arise under said provision of law.

9. This Final Order is in addition to, and not in lieu of, any other civil or criminal remedies that may be provided by law.

10. Entry of this Final Order is in the public interest.

11. This Final Order is for settlement purposes only, and does not constitute an admission by Defendants that the law has been violated as alleged in the Second Amended Complaint, or that the facts alleged in the Second Amended Complaint, other than jurisdictional facts, are true.

However, for the purposes of bankruptcy proceedings, this Final Order is governed by Paragraph III.C. and III.D.

DEFINITIONS

1. "Business Venture" means any written or oral business arrangement, however denominated, regardless of whether it is covered by the Franchise Rule or Business Opportunity Rule, which includes the payment of any consideration for:

A. The right or means to offer, sell, or distribute goods or services (regardless of whether identified by a trademark, service mark, trade name, advertising, or other commercial symbol); and

B. More than nominal assistance to any person or entity in connection with or incident to the establishment, maintenance, or operation of a new business or the entry by an existing business into a new line or type of business.

2. "Franchise Rule or Business Opportunity Rule" means:

A. The FTC Trade Regulation Rule codified at 16 C.F.R. Part 436, until the effective date of the amendments to the FTC Trade Regulation Rule titled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures," approved by the Commission on January 22, 2007;

B. After the effective date of the amendments to the FTC Trade Regulation Rule titled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures," approved by the Commission on January 22, 2007:

1. The FTC Trade Regulation Rule titled "Disclosure Requirements Concerning Franchising," to be codified at 16 C.F.R. Part 436, or as it may be amended; and

2. The FTC Trade Regulation Rule titled "Disclosure Requirements Concerning Business Opportunities," to be codified at 16 C.F.R. Part 437, or as it may be amended.

3. "Corporate Defendants" means Mazzoni & Son, Inc., d/b/a EDI Healthclaims Network ("EDF") and also d/b/a Concept Trading Company; Breeze Freeze, Inc.; Dolele & Associates, L.L.C.; Four Seasons Beverage & Equipment, Inc.; Metro Plymouth Business Park, L.L.C.; and Mazzoni & Sons, L.L.C.;

4. "Individual Defendants" means Chester J. Mazzoni, Jr. and Leo Douglas Lepo a/k/a Douglas L. Lepo;

5. "Defendants" means: (a) the Corporate Defendants; and (b) the Individual Defendants.

6. "Mazzoni Bankruptcy Case" means the case commenced upon the filing of the voluntary petition by Defendant Chester J. Mazzoni, Jr. on April 13, 2007, for relief under the liquidation

provisions of Chapter 7 of the Bankruptcy Code, 11 U.S.C. §§ 101, et seq., in the United States Bankruptcy Court for the Eastern District of Michigan, Case No. 07-47294-pjs.

7. "Receiver" shall mean Phillip S. Stenger.

ORDER

I. PROHIBITION AGAINST VIOLATION OF SECTION 5 OF THE FEDERAL TRADE COMMISSION ACT

IT IS ORDERED that, in connection with the offering for sale or sale of any Business Venture, Defendants, directly or through any corporation, partnership, subsidiary, division, trade name, or other entity, and their officers, agents, servants, employees, and all persons and entities in active concert or participation with them who receive actual notice of this Final Order by personal service or otherwise, are hereby permanently restrained and enjoined from:

- A. Misrepresenting, directly or by implication, orally or in writing, to any potential purchaser of a Business Venture, any material fact, including, but not limited to:
1. the likelihood that purchasers of a Business Venture will earn a substantial income;
 2. the amount of income purchasers of a Business Venture can expect to receive;
 3. the amount of income that any existing purchaser of a Business Venture has received;
 4. the degree or type of assistance to be provided to potential purchasers of a Business Venture by the offeror;
 5. any risks involved in the purchase of a Business Venture; or
 6. that references have purchased a Business Venture or will provide reliable descriptions of their experience with the Business Venture.

B. Providing substantial assistance to any third party to make any material misrepresentation, including, but not limited to, those misrepresentations prohibited by Paragraph I.A., above.

**II. PROHIBITION AGAINST VIOLATION OF THE FRANCHISE RULE OR
BUSINESS OPPORTUNITY RULE**

IT IS FURTHER ORDERED that Defendants, directly or through any corporation, partnership, subsidiary, division, trade name, or other entity, and their officers, agents, servants, employees, and all persons and entities in active concert or participation with them who receive actual notice of this Final Order by personal service or otherwise, are hereby restrained and enjoined from violating or assisting others to violate any provisions of the Franchise Rule or Business Opportunity Rule by, including, but not limited to:

A. Failing to provide each prospective purchaser with a complete and accurate disclosure document as prescribed by the Franchise Rule or Business Opportunity Rule;

B. Failing to have a reasonable basis for any earnings claim or financial performance representation at the time such claim or representation is made, as required by the Franchise Rule or Business Opportunity Rule;

C. Failing to provide prospective purchasers with required disclosures for any earnings claim or financial performance representations, as required by the Franchise Rule or Business Opportunity Rule;

D. Failing to disclose, in immediate conjunction with any earnings claim or financial performance representation, and in a clear and conspicuous manner, that material which constitutes a reasonable basis for the earnings claim or financial performance representation is available to prospective franchisees, as required by the Franchise Rule or Business Opportunity Rule;

E. Failing to provide material which constitutes a reasonable basis for any earnings claim or financial performance representation to prospective purchasers, the Commission, or its staff upon reasonable demand, as required by the Franchise Rule or Business Opportunity Rule; and

F. Failing to disclose, in immediate conjunction with any generally disseminated (“advertised”) earnings claim or financial performance representation, information required by the Franchise Rule or Business Opportunity Rule, including the number and percentage of prior purchasers known by the franchisor or business opportunity seller to have achieved the same or better results, as required by the Franchise Rule or Business Opportunity Rule.

III. MONETARY JUDGMENT

IT IS FURTHER ORDERED that:

A. The FTC is awarded a monetary judgment in the amount of Seventeen Million Six Hundred Sixty Thousand Dollars (\$17,660,000). *Provided, however*, that this judgment shall be suspended subject to the conditions set forth in this Paragraph and Paragraph IV of this Final Order and upon Defendants’ completion of the following within 10 days of entry of this Final Order:

1. payment of \$50,000 to the Federal Trade Commission by the Corporate Defendants;

2. unless Defendants have done so already, in accordance with 31 U.S.C. § 7701, furnishing to the Commission their taxpayer identification numbers (Social Security Numbers and employer identification numbers) which shall be used for purposes of collecting and reporting on any delinquent amount arising out of Defendants’ relationship with the government.

3. as to the Individual Defendants, unless they have done so already, providing the Commission with clear, legible and full-size photocopies of all valid driver’s licenses they possess, which will be used for reporting and compliance purposes.

4. upon entry of this Final Order the Receiver is hereby discharged in all respects as Receiver under the terms of the TRO and the Preliminary Injunction as receiver for corporate defendants Mazzoni & Son Inc., d/b/a Concept Trading Company, Breeze Freeze, Inc., Dolele & Associates, L.L.C., Four Seasons Beverage & Equipment, Inc., and Metro Plymouth Business Park, L.L.C.; however, the Receiver shall carry out his duties as receiver of EDI as directed by the Preliminary Injunction and TRO by ceasing the business operations and winding

down the business of EDI. Other than winding down the business of EDI, the Receiver shall have no further obligations under the TRO or the Preliminary Injunction and is hereby discharged from any liability in connection therein by the Corporate Defendants, the Individual Defendants and the Court. The Individual Defendants shall be responsible for filing tax returns and paying taxes, interest and penalties owing (if any) in connection with the Individual and Corporate Defendants. Upon completion of the winding down of EDI, and the payment of all outstanding fees and expenses of the receivership, the Court shall enter an order discharging the Receiver of all liabilities in connection with his duties as receiver and directing the Receiver to pay all remaining funds in his possession to the Federal Trade Commission.

B. Any and all funds paid pursuant to this Final Order, including this Paragraph III and Paragraph IV, 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, restitution, and any attendant expenses for the administration of any fund for redress or restitution. In the event that redress or restitution to purchasers is wholly or partially impracticable, or any funds remain after redress or restitution is completed, the Commission may apply any remaining funds to such other equitable relief (including consumer information remedies) as it determines to be reasonably related to Defendants' practices alleged in the Complaint. Any funds not used for such equitable relief shall be deposited in the United States Treasury as disgorgement. Defendants shall have no right to contest the manner of distribution chosen by the Commission. The Commission in its sole discretion may use a designated agent to administer consumer redress.

C. Defendants agree that the facts as alleged in the Second Amended Complaint filed in this action shall be taken as true in any bankruptcy case or subsequent civil litigation pursued by the Commission to enforce its rights pursuant to this Final Order, and further stipulate and agree that the facts alleged in the Second Amended Complaint establish all elements necessary to sustain an action pursuant to Section 523(a)(2)(A) of the Bankruptcy Code, 11 U.S.C. § 523(a)(2)(A). Defendant Mazzone further stipulates and agrees that the Judgment ordered by this Paragraph is not dischargeable in bankruptcy and agrees to file, within ten (10) days of the date of entry of this Final Order, an agreed judgment in the Mazzone Bankruptcy Case, substantially in the form attached hereto as Appendix A, determining that the Judgment ordered

by this Paragraph, including the conditions set forth in Paragraph IV of this Final Order, will be nondischargeable pursuant to Section 523 of the Bankruptcy Code, 11 U.S.C. § 523.

D. Defendant Mazzoni further stipulates and agrees, pursuant to Section 502 of the Bankruptcy Code, 11 U.S.C. § 502, to the allowance of a general unsecured claim in the Mazzoni Bankruptcy Case in favor of the FTC in the amount of \$17,660,000.00, less the sum of any payments previously made, and that the FTC is entitled to participate in any payments in the Mazzoni Bankruptcy Case paid on account of such allowed general unsecured claim.

IV. RIGHT TO REOPEN

A. The Commission's agreement to this Final Order is expressly premised upon the financial condition of Defendants as represented in the sworn financial statements and supporting documents they provided to the Commission as follows:

Defendant	Date(s)
Breeze Freeze, Inc.	September 25, 2007, with corrections dated October 3, 2007
Four Seasons Beverage & Equipment, Inc.	September 24, 2007, with corrections dated October 3, 2007
Metro Plymouth Business Park	September 25, 2007
Chester J. Mazzoni	September 24, 2007
Leo Douglas. Lepo a/k/a Douglas L. Lepo	September 24, 2007

The Commission's agreement to this Final Order also is expressly premised upon the financial condition of Defendants as represented by the asset depositions of the Individual Defendants taken on October 2 and October 3, 2007. All of the above include material information upon which the Commission relied in negotiating and consenting to this Final Order. By agreeing to this Final Order, the Defendants reaffirm and attest to the truthfulness, accuracy, and completeness of the sworn financial statements and supporting documents and asset depositions described herein above.

B. If, upon motion by the Commission, this Court finds that Defendants made a material misrepresentation or omitted material information concerning their financial condition, then the Court shall direct the Clerk to enter judgment against Defendants and in favor of the Commission for the full amount of \$17,660,000 immediately due and payable, together with interest computed at the rate prescribed under 28 U.S.C. § 1961, as amended, less the sum of any payments previously made pursuant to this Final Order.

C. Any proceedings instituted under this Paragraph IV 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 the FTC may initiate to enforce this Final Order.

V. ACKNOWLEDGMENT OF RECEIPT OF ORDER

IT IS FURTHER ORDERED that, within five (5) business days of receipt of this Final Order as entered by the Court, Defendants shall submit to the Commission truthful sworn statements acknowledging receipt of this Final Order.

VI. DISTRIBUTION OF ORDER BY DEFENDANTS

IT IS FURTHER ORDERED that, for a period of five (5) years from the date of entry of this Final Order, Defendants shall deliver copies of this Final Order as directed below:

A. **Corporate Defendants:** Corporate Defendants shall deliver a copy of this Final Order to all of their principals, officers, directors, and managers. Corporate Defendants also shall deliver a copy of this Final Order to all of their employees, agents, and representatives who engage in conduct related to the subject matter of the Final Order. For current personnel, delivery shall be within (5) days of service of this Final Order upon Corporate Defendants. For new personnel, delivery shall occur prior to them assuming their responsibilities;

B. **Individual Defendants as Control Persons:** For any business that any Individual Defendant controls, directly or indirectly, or in which he has a majority ownership interest, that Individual Defendant must deliver a copy of this Final Order to all principals, officers, directors and managers of that business. The Individual Defendant must also deliver copies of this Final Order to all employees, agents and representatives of that business who

engage in conduct related to the subject matter of the Final Order. For current personnel, delivery shall be within five (5) days of service of this Final Order upon Individual Defendant. For new personnel, delivery shall occur prior to their assumption of their responsibilities;

C. **Individual Defendants as Employees or Non-Control Persons:** For any business where an Individual Defendant is not a controlling person of the business, but for which he otherwise engages in conduct related to the subject matter of this Final Order, that Individual Defendant must deliver a copy of this Final Order to all principals and managers of such business before engaging in such conduct; and

D. Defendants must secure a signed and dated statement acknowledging receipt of this Final Order within thirty (30) days of delivery, from all persons receiving a copy of this Final Order pursuant to this Paragraph VI.

VII. COMPLIANCE REPORTING BY DEFENDANTS

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

A. For a period of five (5) years from the date of entry of this Final Order, Defendants shall notify the Commission in writing of the following:

1. Any changes in an Individual Defendant's residence, mailing address and telephone number, within ten (10) days of the date of such change;

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

3. Any changes in any Defendant's name, and any alias or fictitious name adopted or used by any Defendant; and

4. Any changes in the corporate structure of any business entity that any Defendant directly or indirectly controls, or has a majority ownership interest in, that may affect compliance obligations arising under this Final 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 Final 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, however*, that with respect to any proposed change in the corporation about which a Defendant learns less than thirty (30) days prior to the date such action is to take place, the 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 Final Order, and each year thereafter on the same date, through and including calendar year 2012, Defendants shall provide a written report to the FTC, sworn to under penalty of perjury, setting forth in detail the manner and form in which they have complied and are complying with this Final Order. This report shall include, but not be limited to:

1. The then-current residence address, mailing addresses, and telephone numbers of each Individual Defendant;
2. The then-current employment and business addresses and telephone numbers of Defendants, a description of the business activities of each such employer or business, and the title and responsibilities of each Individual Defendant for each such employer or business;
3. Any other changes required to be reported under Paragraph VII.A. of this Final Order; and
4. A copy of each acknowledgment of receipt of this Final Order obtained by Defendants pursuant to Paragraph VI of this Final Order.

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

Associate Director
Division of Enforcement
Federal Trade Commission
600 Pennsylvania Ave., NW
Washington, DC 20580
Re: FTC v. Mazzone & Son, Inc.
Case No. 06-15766 (E.D. Michigan)

D. For the purposes of this Paragraph VII, "employment" includes the performance of services as an employee, consultant, or independent contractor; and "employers" include any individual or entity for whom a Defendant performs services as an employee, consultant, or independent contractor.

E. For purposes of the compliance reporting required by this Paragraph VII, the Commission is authorized to communicate directly with Defendants.

VIII. RECORD-KEEPING PROVISIONS

IT IS FURTHER ORDERED that, for a period of eight (8) years from the date of entry of this Final Order, in connection with any business that any Defendant directly or indirectly manages, controls or has a majority ownership interest in, Defendants are hereby permanently 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, phone 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 marketing materials disseminated by any Defendant to any person, including e-mail and Internet web sites or web pages, relating to any good, service, company or web site of any Defendant; and

F. All records and documents necessary to demonstrate fully Defendants' compliance with each provision of this Final Order.

IX. COMPLIANCE MONITORING

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

A. Within ten (10) days of receipt of written notice from a representative of the Commission, Defendants 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 any Defendant's possession or direct or indirect control for inspection of the business operation;

B. In addition, the Commission is authorized to monitor compliance with this Final 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; and

2. Posing as consumers or suppliers to: Defendants, their employees, or any entity managed or controlled in whole or in part by any Defendant, without the necessity of identification or prior notice.

C. Defendants 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 Final Order. The person interviewed may have counsel present.

Provided, however, that nothing in this Final 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)).

X. PROHIBITIONS INVOLVING CONSUMER LISTS

IT IS FURTHER ORDERED that Defendants, directly or indirectly through any corporation, partnership, subsidiary, division, trade name, or other entity, and their officers, agents, servants, employees, and all persons and entities in active concert or participation with

them who receive actual notice of this Final Order by personal service or otherwise, are hereby permanently restrained and enjoined from selling, renting, leasing, transferring, or otherwise disclosing the name, address, telephone number, credit card number, bank account number, e-mail address, or other identifying information of any person who paid any money to any Defendant, at any time prior to entry of this Final Order, in connection with the advertising, promotion, marketing, offering for sale, or sale of any good or service; *provided, however*, that Defendants may disclose such identifying information to a law enforcement agency, or as required by any law, regulation or court order.

XI. FEES AND COSTS

IT IS FURTHER ORDERED that each party to this Final Order hereby agrees to bear its own costs and attorneys' fees incurred in connection with this action.

XII. RETENTION OF JURISDICTION

IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this matter for all purposes.


SO ORDERED this 25 day of February, 2008.

John F. Rubin
UNITED STATES DISTRICT JUDGE


Dated: February 19, 2008


FOR THE PLAINTIFF:


WILLIAM BLUMENTHAL
General Counsel


MICHAEL MILGROM (Ohio Bar 0012959)
Sara C. DePaul (Ohio Bar 0077829)
Attorneys for Plaintiff
Federal Trade Commission
1111 Superior Avenue, Suite 200
Cleveland, Ohio 44114
216-263-3419 (telephone)
216-263-3426 (facsimile)
mmilgrom@ftc.gov (e-mail)
sdepaul@ftc.gov (e-mail)

FOR THE DEFENDANTS:


CHESTER J. MAZZONI, Jr., individually
and as president of Mazzoni & Son, Inc.,
d/b/a EDI Healthclaims Network and d/b/a
Concept Trading Company.


CHESTER J. MAZZONI, Jr., for Breeze
Freeze, Inc., Four Seasons Beverage &
Equipment, Inc., Metro Plymouth Business
Park, L.L.C., and Mazzoni & Sons, L.L.C.


LEO DOUGLAS LEPO, a/k/a Douglas L.
Lepo, individually and as an officer of
Mazzoni & Son, Inc.


LEO DOUGLAS LEPO, a/k/a Douglas L.
Lepo, for Dolele & Associates, L.L.C.

Appendix A

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In Re:

CHESTER J. MAZZONI, JR.,

Debtor.

Case No. 07-47294-pjs
Chapter 7
Hon. Phillip J. Shefferly

FEDERAL TRADE COMMISSION,

Plaintiff,

Adv. Proceeding No. _____

v.

CHESTER J. MAZZONI, JR.,

Debtor.

**STIPULATED JUDGMENT FOR NONDISCHARGEABILITY OF DEBT OWED TO
THE FEDERAL TRADE COMMISSION (NO HEARING REQUIRED)**

IT IS HEREBY STIPULATED AND AGREED BY AND BETWEEN THE PARTIES through their respective attorneys of record as follows:

Plaintiff, the Federal Trade Commission (the "FTC"), through its undersigned attorneys, filed a Complaint to Determine Nondischargeability of Debt under Section 523 of the Bankruptcy Code, 11 U.S.C. § 523. Defendant Chester J. Mazzoni, Jr., the Debtor herein (the "Debtor"), agrees that the facts alleged in the Complaint are true and agrees to the entry of this Stipulated Judgment for Nondischargeability, as follows:

Findings

1. This Court has subject matter jurisdiction over this Stipulated Judgment for Nondischargeability pursuant to 28 U.S.C. §§ 157 and 1134, and 11 U.S.C. § 523.

2. Venue in the Eastern District of Michigan is proper under 28 U.S.C. § 1409(a).

3. This Adversary Proceeding is a core proceeding pursuant to 28 U.S.C.

§ 157(b)(2)(I).

4. This Adversary Proceeding relates to In re Chester J. Mazzoni, Jr., Case No. 07-47294-pjs (Bankr. E.D. Mich.) (Chapter 7), now pending in this Court. The FTC is an unsecured creditor with a claim against the Debtor pursuant to a Stipulated Final Judgment and Order for Permanent Injunction as to All Defendants (the "Final Order") entered by the United States District Court for the Eastern District of Michigan in the case FTC v. Mazzoni & Son, Inc., et. al., Case No. 06-15766 (Honorable John Feikens) (the "Enforcement Action").

5. The Final Order includes equitable monetary relief in favor of the FTC against the Debtor in the amount of \$17,660,000.00, the amount of consumer injury alleged in the FTC's action. Based upon sworn financial statements and supporting documents provided by the Debtor to the FTC, the District Court conditionally suspended the monetary portion of the Final Order. The suspension of the monetary portion of the Final Order may be terminated should the District Court determine, upon motion by the Commission, that the Debtor failed to disclose any material asset, or made any other material misrepresentation or omission in certain financial statements and supporting documents provided to the Commission. A copy of the Final Order is attached hereto and incorporated herein as Exhibit 1.

6. The FTC and the Debtor agree to resolve this Adversary Proceeding without litigation and they stipulate and agree that the Final Order owing to the FTC by the Debtor is nondischargeable pursuant to 11 U.S.C. § 523(a)(2)(A).

Order

7. Judgment is hereby entered in favor of the FTC and against the Debtor/Defendant, determining that the Final Order entered in the Enforcement Action is nondischargeable in the amount of \$17,660,000.00 pursuant to 11 U.S.C. § 523(a)(2)(A), which judgment is conditionally suspended subject to the Commission's right to file a motion in the District Court

for the termination of the suspension of the Final Order in accordance with the terms of Paragraph IV of the Final Order.

8. All other provisions of the Final Order in the Enforcement Action, including the injunctive provisions, remain in full force and effect.

9. The persons executing this Stipulated Judgment for Nondischargeability acknowledge they have authority to bind the parties to this Adversary Proceeding.

SO STIPULATED:

KIMBERLY ROSS CLAYSON (P69804)
Schneider Miller, PC
645 Griswold, Suite 3900
Detroit, MI 48226
313-237-0850 (telephone)
313- - (facsimile)
kclayson@schneidermiller.com (e-mail)
(Counsel for the Debtor)

SARA C. DEPAUL (Ohio Bar 0077829)
Federal Trade Commission
1111 Superior Avenue, Suite 200
Cleveland, Ohio 44114
216-263-3406 (telephone)
216-263-3426 (facsimile)
sdepaul@ftc.gov (e-mail)
(Counsel for the Federal Trade Commission)

SO ORDERED this _____ day of _____, 2007, by the United States

Bankruptcy Court for the Eastern District of Michigan.