

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

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<b>FEDERAL TRADE COMMISSION and</b>	)	
	)	
<b>COMMONWEALTH OF VIRGINIA, <i>ex rel.</i></b>	)	
<b>RANDOLPH A. BEALES, Attorney General of</b>	)	<b>Civ. No. 00 C 4893</b>
<b>Virginia,</b>	)	
	)	<b>Judge Castillo</b>
<b>Plaintiffs,</b>	)	
	)	<b>Magistrate Judge Ashman</b>
<b>v.</b>	)	
	)	
<b>MED RESORTS INTERNATIONAL, INC., a</b>	)	
<b>Virginia corporation, et al.,</b>	)	
<b>Defendants.</b>	)	
	)	
	)	

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**STIPULATED FINAL ORDER FOR PERMANENT INJUNCTION  
WITH CONSUMER REDRESS AND OTHER EQUITABLE RELIEF**

Plaintiffs, the Federal Trade Commission (“Commission” or “FTC”) and the Commonwealth of Virginia, *ex rel.* Randolph Beales, Attorney General of the Commonwealth of Virginia (“Commonwealth”), have filed a complaint for permanent injunction and other equitable relief charging Med Resorts International, Inc., World Connections, Inc., Mediterranean Resorts, Inc., Destinations Unlimited of Delaware, Inc., Bay Financial Services, Inc., V-Pac, Inc., J. George Claveau, and Marianne Borden-Myers (collectively, “Defendants”) with deceptive acts and practices in connection with the marketing and sale of vacation travel club memberships. Plaintiffs’ complaint alleges that Defendants’ deceptive acts and practices violate Section 5(a) of the FTC Act, 15 U.S.C. § 45(a); the FTC’s Trade Regulation Rule on Preservation of Consumers’ Claims and Defenses (“Holder in Due

Course Rule”), 16 C.F.R. Part 433; and Section 59.1-200 of the Virginia Consumer Protection Act (“VCPA”), Va. Code Ann. §§ 59.1-196 *et seq.* Litchfield Financial Corporation, a Delaware corporation and wholly owned subsidiary of Textron Financial Corporation, as Intervenor, intervened in the action in order to defend and protect its interest as a secured lender to certain of the Defendants.

The Commission, the Commonwealth, Defendants, and the Intervenor, having been represented by counsel and acting by and through such counsel, have consented to the entry of this Stipulated Final Order for Permanent Injunction with Consumer Redress and Other Equitable Relief (“Stipulated Order”) without a trial or adjudication of any issue of law or fact herein. Defendants deny any wrongdoing or liability.

NOW, THEREFORE, the Commission, the Commonwealth, Defendants, and the Intervenor, having requested the Court to enter this Stipulated Order, and the Court having considered the Stipulated Order reached among the parties and for other cause appearing, it is **ORDERED, ADJUDGED, AND DECREED** as follows:

### **FINDINGS**

1. This is an action by the Commission instituted under Sections 13(b) and 19 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b, and an action by the Commonwealth instituted under Section 59.1-203 of the VCPA, Va. Code Ann. §§ 59.1-196 *et seq.* Pursuant to these sections of the FTC Act and the VCPA, the Commission and the Commonwealth have the authority to seek the relief contained herein.

2. Plaintiffs’ complaint states a claim upon which relief may be granted against Defendants under Sections 5, 13(b), and 19 of the FTC Act, 15 U.S.C. §§ 45, 53(b) & 57b, and the Holder in

Due Course Rule, 16 C.F.R. Part 433. Plaintiffs' complaint also states a claim upon which relief may be granted against Defendants under Section 59.1-200 of the VCPA, Va. Code Ann. § 59.1-200.

3. This Court has jurisdiction over the subject matter of this case and all parties hereto. Venue in the Northern District of Illinois is proper.

4. The alleged activities of Defendants are in or affecting commerce, as defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

5. This Stipulated Order is for settlement purposes only and does not constitute and shall not be interpreted to constitute an admission by Defendants that they have engaged in violations of any law or regulation, including but not limited to the FTC Act, the VCPA, or the Holder in Due Course Rule, or that the facts alleged in the complaint, other than the jurisdictional facts, are true. This Stipulated Order shall not be used against the Defendants in any proceeding, with the exception of any proceeding to enforce this Stipulated Order.

6. Plaintiffs and Defendants shall each bear their own costs and attorneys' fees incurred in this action and have waived all claims under the Equal Access to Justice Act, 28 U.S.C. § 2412.

7. All parties have waived all rights to seek judicial review or otherwise to challenge the validity of this Stipulated Order.

8. Entry of this Stipulated Order is in the public interest.

## **ORDER**

### **DEFINITIONS**

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

1. **“Plaintiffs”** means the Federal Trade Commission and the Commonwealth of Virginia,

or either of them.

2. **“Defendants”** means Med Resorts International, Inc., World Connections, Inc., Mediterranean Resorts, Inc., Destinations Unlimited of Delaware, Inc., Bay Financial Services, Inc., V-Pac, Inc., J. George Claveau, and Marianne Borden-Myers, and each of them, by whatever names each might be known.

3. **“Receivership Defendants”** means Med Resorts International, Inc., World Connections, Inc., Mediterranean Resorts, Inc., Destinations Unlimited of Delaware, Inc., Bay Financial Services, Inc., and V-Pac, Inc., and any affiliates, subsidiaries, divisions, and sales entities.

4. **“Receiver”** means Stephen T. Bobo, Esq.

5. **“Intervenor”** means Litchfield Financial Corporation, a wholly owned subsidiary of Textron Financial Corporation.

6. **“Buyer”** means American Vacation Resorts, Inc.

7. **“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 (as those terms are defined in the Uniform Commercial Code), and all cash, wherever located.

8. **“Customer”** means any person who has paid or may be required to pay for goods or services.

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

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

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

11. **“Travel-related product, program, or service”** means any product, program, or service that purports to provide transportation, accommodations, or amenities usable during travel. This definition specifically includes, but is not limited to: travel planning services; booking and reservation services; transportation or accommodation tickets; and certificates, vouchers, coupons, reservation forms or other documents that purport to be full or partial payment, or redeemable, for transportation or accommodations, car rental, tours, sports or other activities, meals, drinks, or entrance to special events or locations.

## I.

### **PROHIBITED BUSINESS ACTIVITIES**

**IT IS THEREFORE ORDERED** that, in connection with the advertising, marketing, promoting, offering for sale, or sale of any travel-related product, program, or service, or any other goods or services, Defendants, their officers, agents, servants, employees, and all other persons or entities in active concert or participation with them who receive actual notice of this Stipulated Order by personal service or otherwise, whether acting directly or through any corporate or other device, are hereby permanently restrained and enjoined from:

A. Making, or assisting in the making of, directly or by implication, orally or in any writing,

any false or misleading statement or misrepresentation of material fact, including, but not limited to, any false or misleading statement or misrepresentation that:

1. purchasers of Defendants' vacation club memberships will be able to use those memberships to obtain one or more weeks of vacation accommodations per year whenever and wherever in the world they choose;
2. Defendants are successful at a rate of 90% or higher in confirming the first-choice vacation destination requests of purchasers of Defendants' vacation club memberships;
3. purchasers of Defendants' vacation club memberships will be able to obtain airline tickets through Defendants at costs substantially below those offered by airlines, other travel agents, or over the Internet;
4. purchasers of Defendants' vacation club memberships will be able to obtain a set or unlimited number of Quick Connections vacations;
5. the price quoted to customers in Defendants' sales solicitation is the total cost to purchase, receive, or use the vacation club memberships offered by Defendants;
6. customers who buy Defendants' vacation club memberships will be entitled to multiple weeks of accommodations in four- and five-star condominium and resort properties at hundreds, or thousands, of popular vacation destinations around the world;

7. Defendants will fill customers' vacation travel requests in a timely manner;
8. a customer has won or has been specially selected to receive a vacation or any travel-related product, program, or service; and
9. specific destinations, accommodations, or cruises will be included in any travel-related product, program, or service;

B. Misrepresenting, expressly or by implication, any material fact concerning Defendants' ability to perform or provide any travel-related product, program, or service;

C. Failing to disclose, in a clear and conspicuous manner, before a customer pays for any of the goods or services that are the subject of a sales offer, all material restrictions, limitations, or conditions to receive the goods or services that are the subject of the sales offer, including but not limited to additional costs and conditions;

D. Advertising, offering for sale, or selling any travel-related product, program, or service, including but not limited to prepaid airfares or lodging, at a stated price, unless Defendants have the present capability of providing such package or component thereof at the stated price;

E. Violating any provision of the Holder in Due Course Rule, 16 C.F.R. Part 433, including, but not limited to, taking or receiving a consumer credit contract that fails to contain the following provision in at least ten point, bold face type:

**“NOTICE: ANY HOLDER OF THIS CONSUMER CREDIT  
CONTRACT IS SUBJECT TO ALL CLAIMS AND  
DEFENSES WHICH THE DEBTOR COULD ASSERT**

**AGAINST THE SELLER OF GOODS OR SERVICES  
OBTAINED PURSUANT HERETO OR WITH THE  
PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE  
DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE  
DEBTOR HEREUNDER.”; and**

F. Making, or assisting in the making of, expressly or by implication, any false or misleading statement or misrepresentation of material fact, in connection with the advertising, marketing, fulfillment, offering for sale, or sale of any product or service.

**II.**

**PERFORMANCE BOND**

**IT IS FURTHER ORDERED** that Defendant J. George Claveau, whether directly, in concert with others, or through any business entity or other device, is hereby permanently restrained and enjoined from engaging or participating in, or assisting others engaged or participating in, the advertising, marketing, promoting, offering for sale, or sale of any travel-related product, program, or service, unless he obtains a performance bond in the principal sum of one million dollars (\$1,000,000.00).

A. The performance bond required by this Section shall be conditioned upon the bonded Defendant’s compliance with Section 5 of the FTC Act, 15 U.S.C. § 45, the Holder in Due Course Rule, 16 C.F.R. Part 433, Section 59.1-200 of the VCPA, Va. Code Ann. § 59.1-200, and the provisions of this Stipulated Order. The bond shall be deemed continuous and remain in full force and effect so long as the bonded Defendant continues to offer for sale or sell any travel-related product,



program, or service, directly or indirectly, and for at least two years thereafter. The bond shall cite this Stipulated Order as the subject matter of the bond, and shall provide surety thereunder against financial loss resulting from whole or partial failure of performance due, in whole or in part, to any violation of Section 5 of the FTC Act, 15 U.S.C. § 45, the Holder in Due Course Rule, 16 C.F.R. Part 433, Section 59.1-200 of the VCPA, Va. Code Ann. § 59.1-200, or the provisions of this Stipulated Order;

B. The performance bond required by this Section shall be an insurance agreement providing surety for financial loss issued by a surety company that is admitted to do business in each of the states in which the bonded Defendant is doing business and that holds a Federal Certificate of Authority as Acceptable Surety on Federal Bond and Reinsuring. The performance bond shall be executed in favor of both: (1) the Federal Trade Commission and the Commonwealth of Virginia for the benefit of any person injured as a result of any false or misleading representation made while engaged in the advertising, marketing, promoting, offering for sale, or sale of any travel-related product, program, or service, and (2) any customer so injured;

C. The performance bond required by this Section is in addition to, and not in lieu of, any other bond required by any applicable federal, state, or local law;

D. At least ten (10) days prior to the commencement of any activity for which a performance bond is required under this Section, the Defendant shall provide a copy of the bond to the Director of the FTC's Midwest Region in Chicago and to the Chief of the Antitrust and Consumer Litigation Section of the Virginia Attorney General's Office at the addresses specified in Section XIV, *infra*;

E. Each Defendant, each Defendant's agents, or any persons acting in concert or participation with him/her or under his/her authority, supervision, or control shall not disclose the existence of the performance bond to any customer or prospective customer of any travel-related product, program, or service without simultaneously disclosing the following: "THE BOND IS REQUIRED BY ORDER OF THE U.S. DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS IN SETTLEMENT OF CHARGES THAT MED RESORTS INTERNATIONAL, INC., WORLD CONNECTIONS, INC., MEDITERRANEAN RESORTS, INC., DESTINATIONS UNLIMITED OF DELAWARE, INC., BAY FINANCIAL SERVICES, INC., V-PAC, INC., J. GEORGE CLAVEAU, AND MARIANNE BORDEN-MYERS ENGAGED IN A PATTERN AND PRACTICE OF MAKING FALSE AND MISLEADING REPRESENTATIONS IN CONNECTION WITH THE ADVERTISING, PROMOTION, AND SALE OF TRAVEL CLUB MEMBERSHIPS, WHICH CHARGES WERE NOT ADMITTED OR DENIED BY SUCH PERSONS AND ENTITIES." The required disclosure shall be set forth in a clear and conspicuous manner, separated from all other text, in 100% black ink against a light background, in print at least as large as the main text of the sales material or document, and enclosed in a box containing only the required disclosure. The disclosure, if required, shall appear in all sales material, all publications, and on the front side of all documents sent to customers to acknowledge orders or the receipt of funds;

F. The Commission and the Commonwealth, or either of them, may execute against the performance bond if, after notice to the bonded Defendant and a hearing, the Court finds by a preponderance of the evidence that, after the effective date of this Stipulated Order, the bonded Defendant, individually or through any other person or entity: (1) made a false or misleading

representation, directly or by implication, in the course of engaging in the advertising, marketing, promoting, offering for sale, or sale of any travel-related product, program, or service, in violation of Section 5 of the FTC Act, 15 U.S.C. § 45, or Section 59.1-200 of the VCPA, Va. Code Ann. § 59.1-200; (2) violated the Holder in Due Course Rule, 16 C.F.R. Part 433; or (3) violated the terms of this Stipulated Order; and

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

### **III.**

#### **CONSUMER REDRESS**

**IT IS FURTHER ORDERED** that:

A. The Receivership Defendants shall pay to Plaintiffs the sum of three million dollars (\$3,000,000.00) within seven days of the date of entry of this Stipulated Order. This payment shall be made through the Receiver pursuant to Section VIII, *infra*. Payment shall be made to the Commission via wire transfer in accordance with directions provided by the Commission;

B. In addition to the payment required by Subsection A of this Section, Defendant J. George Claveau shall:

1. cause Resort Management Services, Inc. to transfer to the Commission within seven days of the date of entry of this Stipulated Order all funds in CAP Account number 4310623342, Brokerage Account number 70389060, with First Union Securities, Inc., held in the name of Resort Management Services,

Inc. This transfer shall be made to the Commission via wire transfer in accordance with directions provided by the Commission;

2. pay to the Commission the monetary equivalent of the net proceeds received from the sale of his residence located at 6202 Garden Road, Springfield, Virginia 22152, in accordance with this Court's Order Authorizing Defendant J. George Claveau to Sell Residence, entered on April 20, 2001;
3. cooperate with the Receiver in arranging for and closing an arm's length sale for fair market value of the interest of Defendant J. George Claveau in the real property located at Mogote #105, Fracc. Hornos Insurgentes, Acapulco, Gro., Mexico (hereinafter, "the Acapulco Property"). Defendant J. George Claveau shall promptly provide the Receiver with all documents and other information in his possession, custody, or control relating to the Acapulco Property, the ownership structure for the property, and his interest in the property. The Receiver shall be solely responsible for engaging a licensed real estate professional to facilitate the sale of the Acapulco Property. Upon procuring an acceptable offer to purchase the Acapulco Property, the Receiver shall provide Plaintiffs with written notice of the offer and of the proposed closing date. Upon receiving Plaintiffs' written consent to the proposed sale, which shall be provided within seven days after the Receiver provides notice, if consent is to be given, the Receiver shall proceed to facilitate the closing of the sale of the Acapulco Property. Once Plaintiffs have approved a proposed sale of the

Acapulco Property, Defendant J. George Claveau shall have no right to object to the proposed sale and shall cooperate with the Receiver in closing the sale of the Acapulco Property without the need for further order of this Court.

Immediately after closing the sale of the Acapulco Property, the Receiver and/or Defendant J. George Claveau shall transfer the net proceeds of the sale to the Commission for deposit into the redress fund. The Receivership

Defendants shall have no right to assert any claim to the proceeds of the sale of the Acapulco Property. The Receiver is authorized to pay all commissions, fees, and other expenses incurred in connection with the sale of the Acapulco Property from the proceeds of such sale without further order of this Court.

Prior to a closing on the sale of the Acapulco Property, Defendant J. George Claveau shall maintain all existing insurance policies relating to the Acapulco Property, and in the event the Acapulco Property suffers any loss covered by such insurance policies, Defendant J. George Claveau shall make such claims as are permitted by the insurance policies and shall assign or remit any insurance payment he receives as a result of such loss to the Commission; and

4. in accordance with this Court's April 13, 2001 Order Authorizing Sale of Operating Assets and the Asset Purchase Agreement attached thereto, convey to the Receivership Defendants or, if so directed by the Receiver, to the Buyer, all of his right, title, and interest to the following real properties, all of which previously were used by the Receivership Defendants for vacation fulfillment for

members:

- a. the studio apartment located in Rosslyn, Virginia;
- b. the one bedroom apartment located in Myrtle Beach, South Carolina;
- c. the three bedroom and one bedroom units located in Basye, Virginia;

The conveyance of the above properties is in exchange for the conveyance to Defendant J. George Claveau of all right, title, and interest of the Receivership Defendants to the Acapulco Property and the two adjacent residential lots located at 4882 Akai Place, Princeville, Hawaii;

C. Subject to the provisions of Section IV, *infra*, defendant Marianne Borden-Myers is not required to make any payment to Plaintiffs;

D. The funds paid pursuant to Subsections A and B of this Section (along with the Buyer's contribution to the redress fund in accordance with the "Earnest Money Deposit Agreement" attached to the Buyer's Asset Purchase Agreement, as amended by Malcolm J. Wright's March 30, 2001 memorandum to Todd M. Kossow) shall be deposited into a redress fund, administered by the Commission and the Commonwealth, to be used for equitable relief, including, but not limited to, consumer redress and any attendant expenses for the administration of any redress fund. If Plaintiffs determine, in their sole discretion, that redress to purchasers is wholly or partially impracticable, any funds not so used shall be paid, in amounts determined by the Plaintiffs, to the United States Treasury and to the Commonwealth of Virginia, for deposit into the Commonwealth's Regulatory and Consumer Advocacy Revolving Fund, in lieu of redress. Neither Defendants nor any other party shall have the right to contest the manner of distribution chosen by Plaintiffs. Plaintiffs in their sole discretion may use

a designated agent to administer consumer redress. Plaintiffs and Defendants acknowledge and agree that this judgment for equitable monetary relief is solely remedial in nature and is not a fine, penalty, punitive assessment, or forfeiture;

E. In the event of any default on any obligation to make payment under this Section, interest, computed pursuant to 28 U.S.C. § 1961(a), shall accrue from the date of default to the date of payment, and shall immediately become due and payable;

F. The Receivership Defendants and Defendant J. George Claveau are hereby required, in accordance with 31 U.S.C. § 7701, to furnish to Plaintiffs their respective taxpayer identifying numbers (social security numbers or employer identification numbers), which shall be used for purposes of collecting and reporting on any delinquent amount arising out of such persons' relationship with the government; and

G. Solely for the purpose of any subsequent proceedings initiated by the Commission and the Commonwealth, or either of them, to enforce payments required by this Section or to enforce Section IV, *infra*, including but not limited to a non-dischargeability complaint filed in a bankruptcy proceeding, Defendants waive any right to contest any allegations in Plaintiffs' complaint.

#### IV.

#### **RIGHT TO REOPEN**

**IT IS FURTHER ORDERED** that within five (5) business days after the date of entry of this Stipulated Order, Defendants J. George Claveau and Marianne Borden-Myers shall each submit to the Commission a truthful sworn statement (in the form shown on **Appendix A** to this Stipulated Order) that shall reaffirm and attest to the truthfulness, accuracy, and completeness of their respective financial statements, namely the financial statement of J. George Claveau dated August 29, 2000, as amended on July 9, 2001, and the financial statement of Marianne Borden-Myers dated August 22, 2000. Plaintiffs' agreement to this Stipulated Order is expressly premised upon the financial condition of Claveau and Borden-Myers, as represented in those financial statements, which contain material information upon which Plaintiffs relied in negotiating and agreeing upon this Stipulated Order.

If, upon motion of the Commission and the Commonwealth, or either of them, the Court finds that any Defendant failed to file the sworn statement required by this Section, or that any Defendant failed to disclose any material asset, materially misrepresented the value of any asset, or made any other material misrepresentation in or omission from the financial statement, the Commission may either (1) request that the judgment herein be reopened for the purpose of requiring additional monetary consumer redress and obtaining other equitable relief up to the total amount of consumer injury in this matter, or (2) seek to obtain other equitable relief.

*Provided, however,* that in all other respects, this judgment shall remain in full force and effect; and *provided further,* that proceedings instituted under this Section are in addition to, and not in lieu of, any other civil or criminal remedies that may be provided by law, including but not limited to



contempt proceedings, or any other proceedings that the Commission, the United States, or the Commonwealth might initiate to enforce this Stipulated Order; and *provided further*, that no order entered by the Court pursuant to this Section shall have any effect on the terms of Section VI, *infra*, insofar as those terms relate to the Intervenor.

**V.**

**STIPULATED PRELIMINARY INJUNCTION SUPERSEDED**

**IT IS FURTHER ORDERED** that except as expressly provided herein, the Stipulated Preliminary Injunction with Asset Freeze and Appointment of Permanent Receiver entered by the Court on December 20, 2000 (hereinafter, the “Stipulated Preliminary Injunction”), is hereby superseded by this Stipulated Order.

**VI.**

**FUNDS PAID TO OR HELD BY INTERVENOR**

**IT IS FURTHER ORDERED** that Plaintiffs, Defendants, and the Receiver hereby release any claim to the funds paid to the Intervenor by customers of the Receivership Defendants, by any Defendant, and/or by the Receiver, including but not limited to those funds now held in or previously paid into those certain lockbox accounts created pursuant to the loan documentation entered into between the Intervenor and any Defendant(s) and more fully identified in the Intervenor’s Pleading as filed in support of its Motion to Intervene filed in this case on August 28, 2000. The Court’s prior Order Authorizing Sale of Operating Assets, dated April 13, 2001, its Order Regarding Distribution of the Member Letter, dated April 20, 2001, and the Stipulated Order dated June 27, 2001, are expressly incorporated herein in their entirety.

## VII.

### CUSTOMER LISTS

**IT IS FURTHER ORDERED** that Defendants, their officers, agents, servants, employees, attorneys, all other persons or entities directly or indirectly under their control or under common control with them, and all other persons or entities in active concert or participation with them who receive actual notice of this Stipulated Order by personal service or otherwise, whether acting directly or through any corporation, subsidiary, division, or other device, are permanently restrained and enjoined from selling, renting, leasing, transferring, or otherwise disclosing the name, address, telephone number, social security number, credit card number, bank account number, e-mail address, or other identifying information of any person who paid any money to or received any travel-related product, program, or service from any Defendant, or whose identifying information was obtained for the purpose of soliciting them to pay money to or receive services from any Defendant at any time prior to the date this Stipulated Order is entered, in connection with the sale or rendition of the products, programs, or services referenced in the complaint.

*Provided, however,* that Defendants, their officers, agents, servants, employees, attorneys, all other persons or entities directly or indirectly under their control or under common control with them, and all other persons or entities in active concert or participation with them who receive actual notice of this Stipulated Order by personal service or otherwise, whether acting directly or through any corporation, subsidiary, division, or other device, may provide such information to: (1) the Buyer, or (2) a law enforcement agency either voluntarily, or as required by any law, regulation, or court order.

*Provided, further,* that nothing in this Section shall affect the Buyer's use of identifying

information of those members who choose to retain their travel club memberships with the Buyer in response to the member letter distributed pursuant to this Court's Order of April 20, 2001. This Section shall also not prevent the Buyer from subsequently contacting those members who cancel their travel club memberships in response to the member letter for the purpose of attempting to sell those members a travel-related product, program, or service.

## VIII.

### RECEIVERSHIP

**IT IS FURTHER ORDERED** that:

A. The appointment of Stephen T. Bobo as receiver for Defendants Med Resorts International, Inc., World Connections, Inc., Mediterranean Resorts, Inc., Destinations Unlimited of Delaware, Inc., Bay Financial Services, Inc., and V-Pac, Inc., pursuant to the Stipulated Preliminary Injunction is hereby continued as modified by this Section. Within seven (7) days after the date of entry of this Stipulated Order, the Receiver shall, in accordance with Section III, *supra*, transfer to the Commission the sum of three million dollars (\$3,000,000.00) from the funds in his possession;

B. The Receiver shall fulfill all his responsibilities with respect to the notice to members imposed by this Court's Order Regarding Distribution of the Member Letter, entered on April 20, 2001;

C. The Receiver shall distribute notices to all credit reporting agencies to whom the Receivership Defendants or any other person reported a payment delinquency prior to April 15, 2001, relating to payment obligations of any present or former member. The notice required by this Subsection shall inform the credit reporting agencies that the reported payment delinquency was not

accurate given the circumstances of this case and that any negative information relating to the member's non-payment of any membership obligations should be permanently removed from the member's file.

The Receiver shall provide Plaintiffs with the opportunity to review the notice required by this Subsection before it is distributed to the credit reporting agencies;

D. The substantial operating assets of the Receivership Defendants having previously been sold to the Buyer within these proceedings, the Receiver shall proceed to liquidate all remaining assets of the Receivership Defendants. Upon liquidation of those assets, the Receiver shall submit a final report addressed to the liquidation of the Receivership Defendants and his final application for fees and expenses relating to that process, and upon approval of the same shall pay:

1. the amounts allowed by the Court pursuant to his final application for fees and expenses, including but not limited to, professional fees and auctioneers' fees;
2. claims of the United States of America against one or more of the Receivership Defendants as provided for in 31 U.S.C. § 3713;
3. other claims against the assets of the Receivership Defendants in the order of priority set forth in 11 U.S.C. §§ 507 & 726; *provided* that all claims for commissions made by any employee of any sales office of any Receivership Defendant shall be specifically excluded from any 11 U.S.C. § 507(a)(3) distribution; and
4. to the extent that funds remain, those funds shall be transferred to the

Commission for deposit into the redress fund;

E. All financial institutions and any other person or entity holding funds or other assets of the Receivership Defendants are directed to comply with all reasonable requests and instructions of the Receiver for turnover of such funds or other assets to the Receiver;

F. Three months after the date of entry of this Stipulated Order, and every three months thereafter until the filing of the final report addressed to the liquidation of the Receivership Defendants required by this Section, the Receiver shall serve on all parties a status report describing his progress in complying with his obligations under this Section. Any status report required by this Section shall include a description of the tasks that remain to be completed and an estimate of when the Receiver expects to transfer any remaining funds to the Commission pursuant to Subsection D.4. of this Section. The Receiver shall use his best efforts to complete the obligations imposed by Subsections A, B, C, and D of this Section by December 31, 2001;

G. Upon the filing of the Receiver's final report addressed to the liquidation of the Receivership Defendants, the Court's approval of the same, and the Receiver's fulfillment of his payment obligations under this Section, the receivership over Defendants Med Resorts International, Inc., World Connections, Inc., Mediterranean Resorts, Inc., Destinations Unlimited of Delaware, Inc., Bay Financial Services, Inc., and V-Pac, Inc. pursuant to the Stipulated Preliminary Injunction shall be terminated, and the provisions of the Stipulated Preliminary Injunction relating to the appointment of the Receiver shall be dissolved. The stay of actions against the Receivership Defendants imposed by Section V.F. of the Stipulated Preliminary Injunction shall remain in place until the termination of the receivership under this Section, *provided, however*, that no stay of any action against former assets of

the Receivership Defendants previously passing to the Buyer pursuant to this Court's prior Order Authorizing Sale of Operating Assets, dated April 13, 2001, shall be in place except to the extent provided for in the Court's prior Omnibus Order, dated April 20, 2001, and any subsequent orders extending the stay provided for in that Omnibus Order, the terms of which all are expressly incorporated herein in their entirety; and

H. In addition to the above duties relating to the Receivership Defendants, the Receiver shall, in accordance with this Court's Order of April 13, 2001, take appropriate actions to monitor the activities and operations of the Buyer in order to ensure compliance with this Court's April 13, 2001 and June 27, 2001 orders, including the Buyer's compliance with the obligations it assumed in purchasing the operating assets of the Receivership Defendants. The Receiver shall file with the Court by July 23, 2001 his initial written report on the results of his monitoring activities. Every three months thereafter until October 15, 2002, the Receiver shall serve on all parties written reports detailing the results of his monitoring activities. The cost of these monitoring and reporting obligations shall be paid by the Buyer, in accordance with the "Earnest Money Deposit Agreement" attached to the Buyer's Asset Purchase Agreement.

## **IX.**

### **DISSOLUTION OF ASSET FREEZE**

**IT IS FURTHER ORDERED** that:

A. Except with respect to the real properties described in Sections III.B.1 and III.B.2 of this Stipulated Order and the proceeds from the sale of those properties, the freeze against the assets of Defendant J. George Claveau pursuant to Section III of the Stipulated Preliminary Injunction shall be

lifted to the extent necessary for said Defendant to comply with Section III.B.1. of this Stipulated Order, and upon compliance with that Section, shall be lifted permanently;

B. The freeze against the assets of Defendant Marianne Borden-Myers pursuant to Section III of the Stipulated Preliminary Injunction shall be lifted permanently upon entry of this Stipulated Order; and

C. The freeze against the assets of Defendants Med Resorts International, Inc., World Connections, Inc., Mediterranean Resorts, Inc., Destinations Unlimited of Delaware, Inc., Bay Financial Services, Inc., and V-Pac, Inc. pursuant to Section III of the Stipulated Preliminary Injunction shall remain in effect until such time as the funds remaining in the receivership estate after liquidation of the assets of the Receivership Defendants and settlement of third-party claims are transferred to the Commission for deposit into the redress fund pursuant to Section VIII.D.4., *supra*.

## **X.**

### **ACKNOWLEDGMENT OF RECEIPT OF ORDER BY DEFENDANTS**

**IT IS FURTHER ORDERED** that within five (5) business days after receipt by each Defendant of this Stipulated Order as entered by the Court, Defendants J. George Claveau and Marianne Borden-Myers shall submit to both the Commission and the Commonwealth a truthful sworn statement, in the form shown on **Appendix B**, that shall acknowledge receipt of this Stipulated Order.

## **XI.**

### **DISTRIBUTION OF ORDER BY DEFENDANTS**

**IT IS FURTHER ORDERED** that, for a period of five (5) years from the date of entry of this Stipulated Order, Defendants shall:

A. Provide a copy of this Stipulated Order to, and obtain a signed and dated acknowledgment of receipt of same from, each officer or director, each individual serving in a management capacity, all personnel involved in responding to customer complaints or inquiries, and all sales personnel, whether designated as employees, consultants, independent contractors or otherwise, immediately upon employing or retaining any such persons, for any business in which (1) any Defendant is a majority owner of the business or directly or indirectly manages or controls the entire business, and (2) the business is engaged in the advertising, marketing, offering for sale, or sale of any travel-related product, program, or service, or assists others engaged in these activities; and

B. Maintain for a period of three (3) years after creation, and upon reasonable notice, make available to representatives of the Commission and the Commonwealth, or either of them, the original signed and dated acknowledgments of the receipt of copies of this Stipulated Order, as required in Subsection A of this Section.

## **XII.**

### **MONITORING BY DEFENDANTS**

**IT IS FURTHER ORDERED** that Defendants, in connection with any business in which (1) any Defendant is a majority owner of the business or directly or indirectly manages or controls the entire business, and (2) the business is engaged in the advertising, marketing, offering for sale, or sale of any travel-related product, program, or service, or assists others engaged in these activities, are hereby



permanently restrained and enjoined from:

A. Failing to take reasonable steps to monitor and ensure that all employees and independent contractors engaged in sales or other customer service functions comply with Section I of this Stipulated Order. Such steps shall include adequate monitoring of sales presentations or other calls with customers, and shall also include, at a minimum, the following: (1) listening to the oral representations made by persons engaged in sales or other customer service functions; (2) establishing a procedure for receiving and responding to customer complaints; and (3) ascertaining the number and nature of customer complaints regarding transactions in which each employee or independent contractor is involved; *provided* that this Section does not authorize or require any Defendant to take any steps that violate any federal, state, or local law;

B. Failing to investigate promptly and fully any customer complaint received by any business to which this Section applies; and

C. Failing to take corrective action with respect to any salesperson whom any Defendant determines is not complying with this Stipulated Order, which may include training, disciplining, and/or terminating such salesperson.

### **XIII.**

#### **RECORD KEEPING**

**IT IS FURTHER ORDERED** that for a period of five (5) years from the date of entry of this Stipulated Order, Defendants, their officers, agents, servants, employees, attorneys, all other persons or entities directly or indirectly under their control or under common control with them, and all other persons or entities in active concert or participation with them who receive actual notice of this Stipulated Order by personal service or otherwise, whether acting directly or through any corporation,

subsidiary, division, or other device, in connection with (1) any business in which any Defendant is a majority owner of the business or directly or indirectly manages or controls the entire business, and (2) the business is engaged in the advertising, marketing, offering for sale, or sale of any travel-related product, program, or service, or assists others engaged in these activities, are hereby restrained and enjoined from failing to create, and from failing to retain for a period of three (3) years following the date of such creation, unless otherwise specified:

A. Books, records, and accounts that, in reasonable detail, accurately and fairly reflect the cost of goods or services sold, revenues generated, and the disbursement of such revenues;

B. 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. Any business subject to this Section shall retain such records for any terminated employee for a period of two (2) years following the date of termination;

C. Records containing the names, addresses, telephone numbers, dollar amounts paid, quantity of items or services purchased, and description of items or services purchased, for all customers to whom such business has sold, invoiced, or shipped any goods or services;

D. Records that reflect, for every customer complaint or refund request, whether received directly or indirectly or through any third party:

1. the customer's name, address, telephone number, and the dollar amount paid by the customer;
2. the written complaint or refund request, if any, and the date of the complaint or refund request;

3. the basis of the complaint, including the name of any salesperson complained against, and the nature and result of any investigation conducted concerning any complaint;
  4. each response and the date of the response;
  5. any final resolution and the date of the resolution; and
  6. in the event of a denial of a refund request, the reason for the denial;
- and

E. Copies of all sales scripts, training materials, advertisements, or other marketing materials utilized; *provided* that copies of all sales scripts, training materials, advertisements, or other marketing materials utilized shall be retained for three (3) years after the last date of dissemination of any such materials.

#### **XIV.**

##### **COMPLIANCE REPORTING BY DEFENDANTS**

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

A. For a period of five (5) years from the date of entry of this Stipulated Order, Defendants J. George Claveau and Marianne Borden-Myers shall notify the Commission of the following:

1. Any changes in any Defendant's residence, mailing address, or telephone numbers, within ten (10) days of the date of such change;
2. Any changes in any Defendant's employment status (including self-employment) within ten (10) days of the date of such change. Such

notice shall include the name and address of each business that such Defendant is affiliated with or employed by, a statement of the nature of the business, and a statement of Defendant's duties and responsibilities in connection with the business or employment; and

3. Any proposed change in the structure of any business entity owned or controlled by any 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 could affect compliance obligations arising out of this Stipulated Order, thirty (30) days prior to the effective date of any proposed change; *provided, however,* that with respect to any proposed change in the business 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;

B. One hundred eighty (180) days after the date of entry of this Stipulated Order, Defendants J. George Claveau and Marianne Borden-Myers shall provide a written report to the Commission, sworn to under penalty of perjury, setting forth in detail the manner and form in which that Defendant has complied and is complying with this Stipulated Order. This report shall include but not be limited to:

1. Defendant's then-current residence address and telephone number;
2. Defendant's then-current employment, business addresses and

telephone numbers, a description of the business activities of each such employer, and Defendant's titles and responsibilities for each employer;

3. A copy of each acknowledgment of receipt of this Stipulated Order obtained by Defendants pursuant to Section XI, *supra*;
4. A statement describing the manner in which Defendant has complied and is complying with Sections I and XIII of this Order; and
5. A statement indicating whether any performance bond has been obtained or escrow account established by Defendant pursuant to Section II of this Stipulated Order, and attaching a copy of any such bond so obtained;

C. Upon written request by a representative of the Commission, Defendants shall submit additional written reports (under oath, if requested) and produce documents on fifteen (15) days' notice with respect to any conduct subject to this Stipulated Order;

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

Director, Midwest Region  
Federal Trade Commission  
55 East Monroe Street, Suite 1860  
Chicago, Illinois 60603

Re: FTC, *et al.* v. Med Resorts International, Inc., *et al.*;

E. For purposes of this Stipulated Order, Defendants shall, unless otherwise directed by the Commonwealth's authorized representatives, mail all written notifications to the Commonwealth to:

Chief, Antitrust and Consumer Litigation Section  
Office of the Attorney General

900 East Main Street  
Richmond, Virginia 23219

F. For purposes of this Section, “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; and

G. For purposes of the compliance reporting required by this Section, the Commission is authorized to communicate directly with Defendants J. George Claveau and Marianne Borden-Myers.

## **XV.**

### **PLAINTIFFS’ AUTHORITY TO MONITOR COMPLIANCE**

**IT IS FURTHER ORDERED** that the Commission and the Commonwealth, or either of them, are authorized to monitor Defendants’ compliance with this Stipulated Order by all lawful means, including but not limited to the following:

A. Plaintiffs are authorized, without further leave of Court, to obtain discovery from any Person in the manner provided by Chapter V of the Federal Rules of Civil Procedure, Fed. R. Civ. P. 26-37, including the use of compulsory process pursuant to Fed. R. Civ. P. 45, for the purpose of monitoring and investigating Defendants’ compliance with any provision of this Stipulated Order;

B. Plaintiffs are authorized to use representatives posing as customers and suppliers to any Defendant, any Defendant’s employee, or any other entity managed or controlled in whole or in part by any Defendant, without the necessity of identification or prior notice; and

C. Nothing in this Stipulated 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 and 57b-1, to investigate whether Defendants have violated any provision of this Stipulated Order or Section 5(a) of the FTC

Act, 15 U.S.C. § 45(a), or the Commonwealth's use of compulsory process, pursuant to Section 59.1-201.1 of the VCPA, Va. Code Ann. § 59.1-201.1, to investigate whether Defendants have violated any provision of this Stipulated Order or Section 59.1-200 of the VCPA, Va. Code Ann. § 59.1-200.

## **XVI.**

### **ACCESS TO BUSINESS PREMISES**

**IT IS FURTHER ORDERED** that, for a period of five (5) years from the date of entry of this Stipulated Order, for the purpose of determining compliance with this Stipulated Order, Defendants shall permit representatives of the Commission and the Commonwealth, or either of them, within three (3) business days of receipt of written notice:

A. Access during normal business hours to any office, or facility storing documents, of any business in which (1) any Defendant is a majority owner of the business or directly or indirectly manages or controls the entire business, and (2) the business is engaged in the advertising, marketing, offering for sale, or sale of any travel-related product, program, or service, or assists others engaged in these activities. In providing such access, Defendants shall permit Plaintiffs' representatives to inspect and copy all documents relevant to any matter contained in this Stipulated Order, and shall permit Plaintiffs' representatives to remove documents relevant to any matter contained in this Stipulated Order for a period not to exceed five (5) business days so that the documents may be inspected, inventoried, and copied; and

B. To interview the officers, directors, and employees, including all personnel involved in responding to customer complaints or inquiries, and all sales personnel, whether designated as employees, consultants, independent contractors or otherwise, of any business to which Subsection A of this Section applies, concerning matters relating to compliance with the terms of this Stipulated

Order. The persons interviewed may have counsel present.

*Provided that*, upon application of the Commission and the Commonwealth, or either of them, and for good cause shown, the Court may enter an *ex parte* order granting immediate access to the business premises of any business to which Subsection A of this Section applies for the purpose of inspecting and copying all documents relevant to any matter contained in this Stipulated Order.

## **XVII.**

### **RETENTION OF JURISDICTION**

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

The Commission, the Commonwealth, Defendants, and the Intervenor hereby stipulate and agree to entry of the foregoing Stipulated Order, which shall constitute a final judgment in this action.



SIGNED AND STIPULATED BY:

FEDERAL TRADE COMMISSION

Dated: \_\_\_\_\_

\_\_\_\_\_  
TODD M. KOSSOW  
GUY G. WARD  
KATHERINE ROMANO SCHNACK  
Attorneys for Plaintiff  
Federal Trade Commission

COMMONWEALTH OF VIRGINIA

Dated: \_\_\_\_\_

\_\_\_\_\_  
AMY HAY SCHWAB  
Attorney for Plaintiff  
Commonwealth of Virginia

MEDRESORTS INTERNATIONAL, INC., WORLD  
CONNECTIONS, INC., MEDITERRANEAN RESORTS,  
INC., DESTINATIONS UNLIMITED OF DELAWARE,  
INC., BAY FINANCIAL SERVICES, INC., and V-PAC,  
INC.

Dated: \_\_\_\_\_

\_\_\_\_\_  
By: J. GEORGE CLAVEAU, CEO

Dated: \_\_\_\_\_

\_\_\_\_\_  
By: STEPHEN T. BOBO  
Court-Appointed Receiver

J. GEORGE CLAVEAU, individually

Dated: \_\_\_\_\_

\_\_\_\_\_

J. GEORGE CLAVEAU

MARIANNE BORDEN-MYERS, individually

Dated: \_\_\_\_\_

\_\_\_\_\_  
MARIANNE BORDEN-MYERS

LITCHFIELD FINANCIAL CORPORATION

Dated: \_\_\_\_\_

\_\_\_\_\_  
THOMAS J. MAGILL  
TIMOTHY S. HARRIS  
Attorneys for Intervenor  
Litchfield Financial Corporation

APPROVED AS TO FORM:

Dated: \_\_\_\_\_

\_\_\_\_\_  
THOMAS M. DURKIN  
BRIAN J. MASSENGILL  
Attorneys for Defendants  
Med Resorts International, Inc., World Connections, Inc.,  
Mediterranean Resorts, Inc., Destinations Unlimited of  
Delaware, Inc., Bay Financial Services, Inc., V-Pac, Inc., J.  
George Claveau, and Marianne Borden-Myers

Dated: \_\_\_\_\_

\_\_\_\_\_  
JOEL R. KASWELL  
Attorney for Defendant  
J. George Claveau

**IT IS SO ORDERED.**

Dated: \_\_\_\_\_

\_\_\_\_\_

HONORABLE MARTIN C. ASHMAN  
United States Magistrate Judge

**APPENDIX A**

to Federal Trade Commission, et al. v. Med Resorts International, Inc., et al.,  
Stipulated Final Order for Permanent Injunction with  
Consumer Redress and Other Equitable Relief

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

<b>FEDERAL TRADE COMMISSION and</b>	)	
	)	
<b>COMMONWEALTH OF VIRGINIA, ex rel.</b>	)	
<b>RANDOLPH A. BEALES, Attorney General of</b>	)	<b>Civ. No. 00 C 4893</b>
<b>Virginia,</b>	)	
	)	<b>Judge Castillo</b>
<b>Plaintiffs,</b>	)	
	)	<b>Magistrate Judge Ashman</b>
<b>v.</b>	)	
	)	
<b>MED RESORTS INTERNATIONAL, INC., a</b>	)	
<b>Virginia corporation, et al.,</b>	)	
<b>Defendants.</b>	)	
	)	
	)	

I, \_\_\_\_\_, hereby state that the information contained in the  
Financial Statement of Defendant \_\_\_\_\_ and related papers provided to the  
Federal Trade Commission on \_\_\_\_\_ [and as amended on \_\_\_\_\_  
\_\_\_\_\_, if applicable] was [were] true, accurate, and complete at such time.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: \_\_\_\_\_

**APPENDIX B**

to Federal Trade Commission, et al. v. Med Resorts International, Inc., et al.,  
Stipulated Final Order for Permanent Injunction with  
Consumer Redress and Other Equitable Relief

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

<b>FEDERAL TRADE COMMISSION and</b>	)
	)
<b>COMMONWEALTH OF VIRGINIA, ex rel.</b>	)
<b>RANDOLPH A. BEALES, Attorney General of</b>	) <b>Civ. No. 00 C 4893</b>
<b>Virginia,</b>	)
	) <b>Judge Castillo</b>
<b>Plaintiffs,</b>	)
	) <b>Magistrate Judge Ashman</b>
<b>v.</b>	)
	)
<b>MED RESORTS INTERNATIONAL, INC., a</b>	)
<b>Virginia corporation, et al.,</b>	)
<b>Defendants.</b>	)
	)
	)

[Name of Defendant], being duly sworn, hereby states and affirms as follows:

1. My name is \_\_\_\_\_. My current residence address is \_\_\_\_\_ . I am

a citizen of the United States and am over the age of eighteen. I have personal knowledge of the facts set forth in this Affidavit.

2. I am a defendant in Federal Trade Commission, et al. v. Med Resorts International, Inc., et al., (United States District Court for the Northern District of Illinois).

3. On \_\_\_\_\_, I received a copy of the Stipulated Order for Permanent Injunction with Consumer Redress and Other Equitable Relief, which was signed by the

Honorable Martin C. Ashman, and entered by the Court on \_\_\_\_\_. A true and correct copy of the Order I received is appended to this Affidavit.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed on [date], at [city and state].

\_\_\_\_\_  
[Full name of Defendant]

State of \_\_\_\_\_  
County of \_\_\_\_\_

Subscribed and sworn to before me  
this \_\_ day of \_\_\_\_\_, 2001.

\_\_\_\_\_  
Notary Public  
My Commission Expires:  
\_\_\_\_\_