

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION**

FEDERAL TRADE COMMISSION,	)	CASE NO. 1:09CV02712
)	
Plaintiff,	)	JUDGE CHRISTOPHER A. BOYKO
)	
vs.)	
)	
THE DEBT ADVOCACY CENTER,	)	STIPULATED FINAL JUDGMENT
LLC, et al.,	)	AND ORDER FOR PERMANENT
	)	INJUNCTION AND SETTLEMENT
	)	OF CLAIMS AS TO DEFENDANTS
	)	EDWARD J. DAVIDSON, THE DEBT
	)	ADVOCACY CENTER, LLC, and
	)	SMITH, GROMANN & DAVIDSON,
	)	P.A.

Plaintiff Federal Trade Commission (FTC or Commission) commenced this civil action on November 19, 2009, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), to obtain temporary, preliminary and permanent injunctive and other equitable relief for Defendants' alleged violations of Section 5 of the FTC Act, 15 U.S.C. § 45, in connection with the marketing and sale of mortgage loan modification and foreclosure relief services. The FTC filed an Amended Complaint on May 17, 2010, adding Bradford R. Geisen, Maurice Jackson, Patrick Butler, and Credit Services Alliance, Inc., as additional Defendants and adding counts relating to the Telemarketing and Consumer Fraud and Abuse Prevention Act, 15 U.S.C. § 6101 *et seq.* (Telemarketing Act). The FTC and Defendants Edward J. Davidson, The Debt Advocacy Center, LLC, and Smith, Gromann & Davidson, P.A. ("Settling Defendants"), hereby stipulate to this Final Judgment and Order for Permanent Injunction and Settlement of Claims ("Order").

FINDINGS

By stipulation of the parties and being advised of the premises, the Court finds:

1. This is an action instituted by the FTC under Sections 5 and 13(b) of the FTC Act, 15 U.S.C. §§ 45 and 53(b). The Amended Complaint seeks both permanent injunctive relief and consumer redress for Defendants' alleged deceptive acts or practices in connection with the marketing and sale of mortgage loan modification and foreclosure relief services.
2. The FTC has the authority under Section 13(b) of the FTC Act to seek the relief it has requested, and the Amended Complaint states a claim upon which relief can be granted against Defendants.
3. This Court has jurisdiction over the subject matter of this case and has jurisdiction over Defendants. Venue in the Northern District of Ohio is proper.
4. The activities of Defendants, as alleged in the Amended Complaint, are "in or affecting commerce," as defined in Section 4 of the FTC Act, 15 U.S.C. § 44.
5. The parties stipulate and agree to entry of this Order, without trial or final adjudication of any issue of fact or law, to settle and resolve all matters in dispute arising from the conduct alleged in the Amended Complaint to the date of entry of this Order. This settlement does not settle and resolve any matters not alleged in the Amended Complaint. Settling Defendants do not admit any of the allegations set forth in the Amended Complaint, other than the jurisdictional facts, merely by stipulating and agreeing to the entry of this Order.
6. Settling Defendants waive all rights to seek judicial review or otherwise challenge or contest the validity of this Order. Settling Defendants also waive any claim that they may have held under the Equal Access to Justice Act, 28 U.S.C. § 2412, concerning the prosecution of this action to the date of this Order. Each settling party shall bear his or its own costs and attorneys' fees.

7. This action and the relief awarded herein are in addition to, and not in lieu of, other remedies as may be provided by law, including both civil and criminal remedies.

8. Settling Defendants waive any claim that they may hold against the Temporary Receiver, Mark Dottore, appointed on January 20, 2010 (Doc. #55), or his employees, representatives, or agents.

9. Entry of this Order is in the public interest.

DEFINITIONS

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

1. **“Assisting others”** includes, but is not limited to, providing any of the following goods or services to another person:

- A. performing customer service functions, including but not limited to, receiving or responding to consumer complaints;
- B. formulating or providing, or arranging for the formulation or provision of, any advertising or marketing material, including but not limited to, any telephone sales script, direct mail solicitation, or the design, text, or use of images of any Internet website, email, or other electronic communication;
- C. formulating or providing, or arranging for the formulation or provision of, any marketing support material or service, including but not limited to, web or Internet Protocol addresses or domain name registration for any Internet websites, affiliate marketing services, or media placement services;
- D. providing names of, or assisting in the generation of, potential customers;
- E. performing marketing, billing, or payment services of any kind;

F. acting or serving as an owner, officer, director, manager, or principal of any entity.

2. **“Competent and reliable evidence”** means tests, analyses, research, studies, or other evidence based on the expertise of professionals in the relevant area, that has been conducted and evaluated in an objective manner by persons qualified to do so, using procedures generally accepted in the profession to yield accurate and reliable results.

3. **“Consumer”** means any natural person.

4. **“Customer”** means any person who has paid, or may be required to pay, for products, services, plans, or programs offered for sale or sold by any other person.

5. **“Credit”** means the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.

6. **“Debt relief product or service”** means any product, service, plan, or program represented, expressly or by implication, to renegotiate, settle, or in any way alter the terms of payment or other terms of the debt or obligation, including but not limited to a tax debt or obligation, between a person and one or more unsecured creditors or debt collectors, including but not limited to, a reduction in the balance, interest rate, or fees owed by a person to an unsecured creditor or debt collector.

7. **“Defendants”** means all of the Defendants, individually, collectively, or in any combination. **“Settling Defendants”** means The Debt Advocacy Center, LLC; Smith, Gromann & Davidson, P.A.; and Edward J. Davidson, individually and as Chief Executive Officer of The Debt Advocacy Center, LLC and as an owner of Smith, Gromann & Davidson, P.A.

8. **“Federal homeowner relief or financial stability program”** means any program (including its sponsoring agencies, telephone numbers, and Internet websites) operated or

endorsed by the United States government to provide relief to homeowners or stabilize the economy, including but not limited to:

- A. the Making Home Affordable Program;
- B. the Financial Stability Plan;
- C. the Troubled Asset Relief Program and any other program sponsored or operated by the United States Department of the Treasury;
- D. the HOPE for Homeowners program, any program operated or created pursuant to the Helping Families Save Their Homes Act, and any other program sponsored or operated by the Federal Housing Administration; or
- E. any program sponsored or operated by the United States Department of Housing and Urban Development (“HUD”), the HOPE NOW Alliance, the Homeownership Preservation Foundation, or any other HUD-approved housing counseling agency.

9. **“Financial related product or service”** means any product, service, plan, or program represented, expressly or by implication, to:

- A. provide any consumer, arrange for any consumer to receive, or assist any consumer in receiving, credit, debit, or stored value cards;
- B. improve, or arrange to improve, any consumer’s credit record, credit history, or credit rating;
- C. provide advice or assistance to any consumer with regard to any activity or service the purpose of which is to improve a consumer’s credit record, credit history, or credit rating;
- D. provide any consumer, arrange for any consumer to receive, or assist any consumer in receiving, a loan or other extension of credit;

- E. provide any consumer, arrange for any consumer to receive, or assist any consumer in receiving a debt relief product or service; or
- F. provide any consumer, arrange for any consumer to receive, or assist any consumer in receiving any service represented, expressly or by implication, to renegotiate, settle, or in any way alter the terms of payment or other terms of the debt or obligation, including but not limited to a tax debt or obligation, between a consumer and one or more secured creditors, servicers, or debt collectors.

10. **“Material fact”** means any fact that is likely to affect a person’s choice of, or conduct regarding, goods or services.

11. **“Mortgage assistance relief product or service”** means any product, service, plan, or program, offered or provided to the consumer in exchange for consideration, that is represented, expressly or by implication, to assist or attempt to assist the consumer with any of the following:

- A. stopping, preventing, or postponing any mortgage or deed of trust foreclosure sale for the consumer’s dwelling, any repossession of the consumer’s dwelling, or otherwise saving the consumer’s dwelling from foreclosure or repossession;
- B. negotiating, obtaining, or arranging a modification of any term of a dwelling loan, including a reduction in the amount of interest, principal balance, monthly payments, or fees;
- C. obtaining any forbearance or modification in the timing of payments from any dwelling loan holder or servicer on any dwelling loan;

- D. negotiating, obtaining, or arranging any extension of the period of time within which the consumer may (i) cure his or her default on a dwelling loan, (ii) reinstate his or her dwelling loan, (iii) redeem a dwelling, or (iv) exercise any right to reinstate a dwelling loan or redeem a dwelling;
- E. obtaining any waiver of an acceleration clause or balloon payment contained in any promissory note or contract secured by any dwelling; or
- F. negotiating, obtaining, or arranging (i) a short sale of a dwelling, (ii) a deed-in-lieu of foreclosure, (iii) or any other disposition of a dwelling loan other than a sale to a third party that is not the dwelling loan holder.

The foregoing shall include any manner of claimed assistance, including but not limited to, auditing or examining a consumer's mortgage or home loan application.

12. **"Net proceeds"** means the money remaining after all commissions, fees, and expenses related to the transaction have been paid.

13. **"Person"** means a natural person, organization, or other legal entity, including a corporation, partnership, proprietorship, association, cooperative, or any other group or combination acting as an entity.

14. **"Servicer"** means any beneficiary, mortgagee, trustee, loan servicer, loan holder, or other entity that performs loan or credit account administration or processing services and/or its authorized agents.

ORDER

I.

BAN ON MORTGAGE ASSISTANCE RELIEF PRODUCT AND SERVICES

IT IS THEREFORE ORDERED that Settling Defendants, whether acting directly or through any person, are permanently restrained and enjoined from:

- A. Advertising, marketing, promoting, offering for sale, or selling any mortgage assistance relief product or service; and
- B. Assisting others engaged in advertising, marketing, promoting, offering for sale, or selling any mortgage assistance relief product or service.

II.

PROHIBITED MISREPRESENTATIONS RELATING TO FINANCIAL RELATED PRODUCTS OR SERVICES

IT IS FURTHER ORDERED that Settling Defendants and their agents, servants, employees, successors, assigns, and attorneys, and those persons or entities in active concert or participation with any of them who receive actual notice of this Order by personal service, facsimile transmission, email, or otherwise, whether acting directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, marketing, promotion, offering for sale, or sale of any financial related good or service, are hereby permanently restrained and enjoined from:

- A. Misrepresenting or assisting others in misrepresenting, expressly or by implication, any material fact, including but not limited to:
 - 1. The terms or rates that are available for any loan or other extension of credit, including but not limited to:
 - a. closing costs or other fees;

- b. the payment schedule, the monthly payment amount(s), or other payment terms, or whether there is a balloon payment; interest rate(s), annual percentage rate(s), or finance charge(s); the loan amount, the amount of credit, the draw amount, or outstanding balance; the loan term, the draw period, or maturity; or any other term of credit;
 - c. the savings associated with the credit;
 - d. the amount of cash to be disbursed to the borrower out of the proceeds, or the amount of cash to be disbursed on behalf of the borrower to any third parties;
 - e. whether the payment of the minimum amount specified each month covers both interest and principal, and whether the credit has or can result in negative amortization;
 - f. that the credit does not have a prepayment penalty or that no prepayment penalty and/or other fees or costs will be incurred if the consumer subsequently refinances; and
 - g. that the interest rate(s) or annual percentage rate(s) are fixed rather than adjustable or adjustable rather than fixed;
2. Any person's ability to improve or otherwise affect a consumer's credit record, credit history, or credit rating or ability to obtain credit;
 3. That any person can improve any consumer's credit record, credit history, or credit rating by permanently removing negative information from the consumer's credit record, credit history, or credit rating, even where such information is accurate and not obsolete;

4. Any aspect of any debt relief product or service, including but not limited to, the amount of savings a consumer will receive from purchasing, using, or enrolling in such debt relief product or service; the amount of time before which a consumer will receive settlement of the consumer's debts; or the reduction or cessation of collection calls;
 5. That a consumer will receive legal representation;
 6. That any person providing a testimonial has purchased, received, or used the product, service, plan or program; or
 7. That the experience represented in a testimonial of the product, service, plan or program represents the person's actual experience resulting from the use of the product, service, plan or program under the circumstances depicted in the advertisement;
- B. Advertising or assisting others in advertising credit terms other than those terms that actually are or will be arranged or offered by a creditor or lender.

III.

PROHIBITED MISREPRESENTATIONS RELATING TO ANY PRODUCTS OR SERVICES

IT IS FURTHER ORDERED that Settling Defendants and their agents, servants, employees, successors, assigns, and attorneys, and those persons or entities in active concert or participation with any of them who receive actual notice of this Order by personal service, facsimile transmission, email, or otherwise, whether acting directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, marketing, promotion, offering for sale, or sale of any product, service, plan, or program are hereby permanently

restrained and enjoined from misrepresenting or assisting others in misrepresenting, expressly or by implication, any material fact, including but not limited to:

- A. Any material aspect of the nature or terms of any refund, cancellation, exchange, or repurchase policy, including but not limited to, the likelihood of a consumer obtaining a full or partial refund, or the circumstances in which a full or partial refund will be granted to the consumer;
- B. That any person is affiliated with, endorsed or approved by, or otherwise connected to any other person; government entity; any federal homeowner relief or financial stability program; public, non-profit, or other non-commercial program; or any other program;
- C. The total costs to purchase, receive, or use, or the quantity of, the product, service, plan, or program;
- D. Any material restriction, limitation, or condition on purchasing, receiving, or using the product, service, plan, or program;
- E. That any person has implemented reasonable and appropriate measures to protect consumers' non-public personal information against unauthorized access; or
- F. Any material aspect of the performance, efficacy, nature, or characteristics of the product, service, plan, or program.

IV.

SUBSTANTIATION FOR BENEFIT, PERFORMANCE, AND EFFICACY CLAIMS

IT IS FURTHER ORDERED that Settling Defendants and their agents, servants, employees, successors, assigns, and attorneys, and those persons or entities in active concert or participation with any of them who receive actual notice of this Order by personal service, facsimile transmission, email, or otherwise, whether acting directly or through any corporation,

subsidiary, division, or other device, in connection with the advertising, marketing, promotion, offering for sale, or sale of any financial related product or service are hereby permanently restrained and enjoined from making any representation or assisting others in making any representation, expressly or by implication, about the benefits, performance, or efficacy of any financial related product or service, unless at the time such representation is made, Settling Defendants possess and rely upon competent and reliable evidence that substantiates that the representation is true.

V.

PROHIBITION ON COLLECTING ACCOUNTS

IT IS FURTHER ORDERED that Settling Defendants and their agents, servants, employees, successors, assigns, and attorneys, and those persons or entities in active concert or participation with any of them who receive actual notice of this Order by personal service, facsimile transmission, email, or otherwise, whether acting directly or through any corporation, subsidiary, division, or other device, are hereby permanently restrained and enjoined from attempting to collect, collecting, selling, or assigning, or otherwise transferring any right to collect payment for any mortgage assistance relief product or service from any consumer who purchased or agreed to purchase a mortgage assistance relief product or service from the Settling Defendants or any Defendant prior to the entry of this Order.

VI.

ORDER PROVISION REGARDING CUSTOMER INFORMATION

IT IS FURTHER ORDERED that Settling Defendants and their agents, servants, employees, successors, assigns, and attorneys, and those persons or entities in active concert or participation with any of them who receive actual notice of this Order by personal service,

facsimile transmission, email, or otherwise, whether acting directly or through any corporation, subsidiary, division, or other device, are hereby permanently restrained and enjoined from:

- A. Disclosing, using, or benefitting from customer information, including the name, address, telephone number, email address, social security number, other identifying information, or any data that enables access to a customer's account (including a credit card, bank account, or other financial account) of any person that Settling Defendants or any Defendant obtained prior to entry of this Order in connection with the advertising, marketing, promotion, offering for sale or sale of any mortgage assistance relief product or service, debt relief product or service, or financial related product or service, and
- B. Failing to dispose of such customer information in all forms in his possession, custody, or control within thirty (30) days after entry of this Order. Disposal shall be by means that protect against unauthorized access to the customer information, such as by burning, pulverizing, or shredding any papers, and by erasing or destroying any electronic media, to ensure that the customer information cannot practicably be read or reconstructed.

Provided, however, that customer information need not be disposed of, and may be disclosed, to the extent requested by a government agency or required by a law, regulation, or court order.

VII.

EQUITABLE MONETARY JUDGMENT

IT IS FURTHER ORDERED THAT judgment is hereby entered in favor of the Commission against Settling Defendants jointly and severally, for equitable monetary relief, including but not limited to consumer redress, in the amount of One Million Seven Hundred

Ninety Eight Thousand Dollars (\$1,798,000), which is the total amount of consumer injury caused by the activities alleged in the Amended Complaint; *provided, however*, that, until further Order of the Court pursuant to the Section titled “Right to Re-open as to Monetary Judgment,” this judgment shall be suspended upon Settling Defendant Edward J. Davidson’s (i) first installment payment of \$2000 in accordance with subparagraph (A) below, and (ii) conveyance of certain personal and real property to the Temporary Receiver, Mark Dottore, in accordance with subparagraph (F) below.

- A. Settling Defendant Edward J. Davidson shall to pay to the Commission Thirty- Seven Thousand Five Hundred Dollars (\$37,500) in installments as follows:
- i. Within 60 days of entry of this Order, Settling Defendant Edward J. Davidson shall pay to the Commission the first installment of Two Thousand Dollars (\$2,000) (“first installment”);
 - ii. On or before June 1, 2012, Settling Defendant Edward J. Davidson shall pay to the Commission the second installment of Three Thousand Dollars (\$3,000), plus interest (“second installment”);
 - iii. After payment of the first and second installments, Settling Defendant Edward J. Davidson shall pay to the Commission Thirty Thousand Dollars (\$30,000) in five installments of Six Thousand Dollars (\$6,000) each, plus interest, beginning not later than six months after June 1, 2012, and repeating every six months thereafter;
 - iv. On or before March 1, 2015, Settling Defendant Edward J. Davidson shall pay to the Commission the remaining balance of Two Thousand Five Hundred Dollars (\$2,500), plus interest;

- v. The interest due shall be computed on the unpaid balance and from the entry date of this Order pursuant to 28 U.S.C. § 1961; and
 - vi. All payments required by this Order shall be made by electronic funds transfers in accordance with instructions previously provided by a representative of the Commission.
- B. Any funds paid pursuant to this Order 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 and any attendant expenses for the administration of any redress funds. If direct redress to consumers is wholly or partially impracticable or funds remain after redress is completed, the FTC may apply any remaining funds for such other equitable relief, including but not limited to consumer information remedies, as the FTC determines to be reasonably related to the practices alleged in the Amended Complaint. Any funds not used for such equitable relief shall be deposited to the U.S. Treasury as equitable disgorgement. Settling Defendants shall have no right to challenge the FTC's choice of remedies or the manner of distribution.
- C. In the event of any default in paying the first installment or the subsequent installments, which default continues for ten (10) days beyond the due date of payment, the entire remaining balance, together with interest, as computed pursuant to 28 U.S.C. § 1961 from the entry date of this Order, shall immediately become due and payable.
- D. Settling Defendant Edward J. Davidson relinquishes all dominion, control, and title to the funds paid to the fullest extent permitted by law. Settling Defendant

Edward J. Davidson shall make no claim to or demand for return of the funds, directly or indirectly, through counsel or otherwise.

- E. Settling Defendants agree that the facts as alleged in the Amended Complaint filed in this action shall be taken as true without further proof in any bankruptcy case or subsequent civil litigation pursued by the Commission to enforce its rights to any payment or money judgment pursuant to this Order, including, but not limited to, a nondischargeability complaint in any bankruptcy case. Settling Defendants further stipulate and agree that the facts alleged in the Amended Complaint establish all elements necessary to sustain an action by the Commission pursuant to Section 523(a)(2)(A) of the Bankruptcy Code, 11 U.S.C. § 523(a)(2)(A), and this Order shall have collateral estoppel effect for such purposes.
- F. Settling Defendant Edward J. Davidson agrees that, upon entry of this Order:
- (1) the FTC may perfect a security interest in certain collateral, as set forth in the Security Agreement attached as Exhibit A, for purposes of securing the installments described in subparagraph (A) above;
 - (2) he will provide to the Temporary Receiver, Mark Dottore, certain personal property described in attached Exhibit B for purposes of liquidation; and
 - (3) the Temporary Receiver, Mark Dottore, is appointed and authorized to sell or auction certain real property, in accordance with the Stipulation attached as Exhibit C, entered by this Court on January 27, 2012 (Dkt.# 181). Settling Defendant Edward J. Davidson further agrees that the net proceeds, if any, from the liquidation described in (2) and the sale or auction described in (3) shall be transferred to the FTC upon order of this Court.

VIII.

RIGHT TO RE-OPEN AS TO MONETARY JUDGMENT

IT IS FURTHER ORDERED that:

- A. By agreeing to this Order Settling Defendants reaffirm and attest to the truthfulness, accuracy, and completeness of the financial disclosure statements and supporting documents provided to the Commission by Settling Defendants The Debt Advocacy Center, LLC and Edward J. Davidson on or about November 30, 2009 and May 5, 2011, as supplemented by the asset deposition of Settling Defendant Edward J. Davidson conducted on or about October 26, 2010.
- B. This Court's Order, and the FTC's agreement to enter into this Order, is expressly premised upon the truthfulness, accuracy, and completeness of Settling Defendants The Debt Advocacy Center, LLC's and Edward J. Davidson's financial condition, as represented in the documents and deposition referenced in Subsection A of this Section, all of which contain material information upon which the Commission relied in negotiating and agreeing to the terms of this Order.
- C. If, upon motion by the FTC, this Court should find that Settling Defendants The Debt Advocacy Center, LLC or Edward J. Davidson failed to disclose any material asset or materially misrepresented the value of any asset, or made any other material misrepresentation in or omission from the financial disclosure statements or the deposition, the Court shall reinstate the suspended judgment against Settling Defendants, in favor of the Commission, in the amount of One Million Seven Hundred Ninety Eight Thousand Dollars (\$1,798,000.00), less any

payments made to the Commission subsequent to the entry of this Order, plus interest computed from the entry date of this Order pursuant to 28 U.S.C. § 1961.

Provided, however, that in all other respects, this Order shall remain in full force and effect unless otherwise ordered by the Court.

IX.

COOPERATION WITH FTC COUNSEL

IT IS FURTHER ORDERED that Settling Defendants shall, in connection with this action or any subsequent investigations related to or associated with the transactions or the occurrences that are the subject of the FTC's Amended Complaint, cooperate in good faith with the FTC and appear at such places and times as the FTC shall reasonably request, after written notice, for interviews, conferences, pretrial discovery, review of documents, and for such other matters as may be reasonably requested by the FTC. If requested in writing by the FTC, Settling Defendants shall appear and provide truthful testimony in any trial, deposition, or other proceeding related to or associated with the transactions or occurrences that are the subject of the Amended Complaint, without the service of a subpoena.

IT IS FURTHER ORDERED that Settling Defendants shall secure and retain any documents and records relating to this litigation that are in their respective possession, custody or control until the conclusion of this litigation as it proceeds against any or all of the Defendants. During the pendency of this litigation against any or all of the Defendants, Settling Defendants shall make available or produce within a reasonable time frame any documents or records relating to this litigation that are in his possession, custody or control, without the service of a subpoena. Upon the conclusion of this litigation, Settling Defendants shall properly dispose of all documents and records relating to this litigation that are in their possession, custody or control as required by the Section titled "Order Provision Regarding Customer Information."

X.

LIFTING OF ASSET FREEZE

IT IS FURTHER ORDERED that the freeze against Settling Defendants' assets pursuant to the Stipulated Preliminary Injunction entered on January 21, 2010, shall be lifted upon entry of the Stipulated Final Judgment and Order.

XI.

ORDER ACKNOWLEDGMENTS

IT IS FURTHER ORDERED that Settling Defendants obtain acknowledgments of receipt of this Order:

A. Each Settling Defendant, within seven (7) days of entry of this Order, must submit to the Commission an acknowledgment of receipt of this Order sworn under penalty of perjury.

B. For three (3) years after entry of this Order, Settling Defendant Edward J. Davidson for any business that he, individually or collectively with any other Defendant, is the majority owner or directly or indirectly controls, and Settling Defendants The Debt Advocacy Center and Smith, Gromann & Davidson, P.A., must deliver a copy of this Order to (1) all principals, officers, directors, and managers; (2) all employees, agents, and representatives who participate in conduct specified in Sections I, II, III and IV; and (3) any business entity resulting from any change in structure as set forth in the Section titled Compliance Reporting. Delivery must occur within 7 days of entry of this Order for current personnel. To all others, delivery must occur before they assume their responsibilities.

C. From each individual or entity to which a Settling Defendant delivered a copy of this Order, that Settling Defendant must obtain, within 30 days, a signed and dated acknowledgment of receipt of this Order.

XII.

COMPLIANCE REPORTING

IT IS FURTHER ORDERED that Settling Defendants make timely submissions to the Commission:

A. One year after entry of this Order, Defendant Edward J. Davidson must submit a compliance report, sworn under penalty of perjury.

1. Each Settling Defendant must: (a) designate at least one telephone number and an email, physical, and postal address as points of contact, which representatives of the Commission may use to communicate with that Settling Defendant; (b) identify all of that Settling Defendant's businesses by all of their names, telephone numbers, and physical, postal, email, and Internet addresses; (c) describe the activities of each business, including the products and services offered, the means of advertising, marketing, and sales, and the involvement of any other Defendant (which Settling Defendant Edward J. Davidson must describe if he knows or should know due to his own involvement); (d) describe in detail whether and how that Settling Defendant is in compliance with each Section of this Order; and (e) provide a copy of each Order Acknowledgment obtained pursuant to this Order, unless previously submitted to the Commission;
2. Additionally, Settling Defendant Edward J. Davidson must: (a) identify all telephone numbers and all email, Internet, physical, and postal

addresses, including all residences; (b) identify all titles and roles in all business activities, including any business for which such Settling Defendant performs services whether as an employee or otherwise and any entity in which such Settling Defendant has any ownership interest; and (c) describe in detail such Settling Defendant's involvement in each such business, including title, role, responsibilities, participation, authority, control, and any ownership.

B. For three (3) years following entry of this Order, each Settling Defendant must submit a compliance notice, sworn under penalty of perjury, within 14 days of any change in the following:

1. Each Settling Defendant must report any change in: (a) any designated point of contact; or (b) the structure of Settling Defendants The Debt Advocacy Center or Smith, Gromann & Davidson, P.A., or any entity that such Settling Defendant has any ownership interest in or directly or indirectly controls that may affect compliance obligations arising under this Order, including: creation, merger, sale, or dissolution of the entity or any subsidiary, parent, or affiliate that engages in any acts or practices subject to this Order.
2. Additionally, Settling Defendant Edward J. Davidson must report any change in: (a) name, including aliases or fictitious name, or residence address; or (b) title or role in any business activity, including any business for which such Settling Defendant performs services whether as an employee or otherwise and any entity in which such Settling Defendant

has any ownership interest, and identify its name, physical address, and Internet address, if any.

C. Each Settling Defendant must submit to the Commission notice of the filing of any bankruptcy petition, insolvency proceeding, or any similar proceeding by or against such Settling Defendant within 14 days of its filing.

D. Any submission to the Commission required by this Order to be sworn under penalty of perjury must be true and accurate and comply with 18 U.S.C. § 1746, such as by concluding: “I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on: _____” and supplying the date, signatory’s full name, title (if applicable), and signature.

E. Unless otherwise directed by a Commission representative in writing, all submissions to the Commission pursuant to this Order must be emailed to DEbrief@ftc.gov or sent by overnight courier (not the U.S. Postal Service) to: Associate Director for Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington D.C. 20580. The subject line must begin: FTC v. The Debt Advocacy Center, Smith, Gromann & Davidson, P.A., and Edward Davidson, Matter No. X100008.

XIII.

RECORDKEEPING

IT IS FURTHER ORDERED that, for a period of six (6) years from the date of entry of this Order, Settling Defendants The Debt Advocacy Center, Smith, Gromann & Davidson, P.A., and Edward J. Davidson, for any business in which he, individually or collectively with any other Defendant, is a majority owner or directly or indirectly controls, are hereby restrained and enjoined from failing to create and retain the following records:

- A. Accounting records showing the revenues from all goods or services sold, all costs incurred in generating those revenues, and the resulting net profit or loss;
- B. Personnel records showing, for each person providing services, whether as an employee or otherwise, that person's: name, addresses, and telephone numbers; job title or position; dates of service; and, if applicable, the reason for termination;
- C. Customer files showing the names, addresses, phone numbers, dollar amounts paid, and the quantity and description of goods or services purchased;
- D. Complaints and refund requests, whether received directly or indirectly, such as through a third party, and any response;
- E. All records necessary to demonstrate full compliance with each provision of this Order, including, all submissions to the Commission; and
- F. A copy of each advertisement or other marketing material.

XIV.

COMPLIANCE MONITORING

IT IS FURTHER ORDERED that, for the purpose of monitoring Settling Defendants' compliance with this Order, including the financial representations upon which part of the judgment was suspended and any failure to transfer any assets as required by this Order:

- A. Within 14 days of receipt of a written request from a representative of the Commission, each Settling Defendant must: submit additional compliance reports or other requested information, which must be sworn under penalty of perjury; appear for deposition; and produce documents, for inspection and copying. The Commission is also authorized to obtain discovery, without leave of court, using any of the procedures prescribed by Federal Rules of Civil Procedure 29, 30 (including telephonic depositions), 31, 33, 34, 36, 45 and 69.

B. For matters concerning this Order, the Commission is authorized to communicate directly with each Settling Defendant. Each Settling Defendant must permit representatives of the Commission to interview any employee or other person affiliated with any Settling Defendant who has agreed to such an interview. The person interviewed may have counsel present.

C. The Commission may use all other lawful means, including posing, through its representatives, as consumers, suppliers, or other individuals or entities, to Settling Defendants or any individual or entity affiliated with a Settling Defendant, without the necessity of identification or prior notice. Nothing in this Order limits 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.


XV.

RETENTION OF JURISDICTION

IT IS FURTHER ORDERED that this Court retains jurisdiction of this matter for purposes of construction, modification, and enforcement of this Order.

IT IS SO ORDERED.

DATED this 1st day of may, 2012


HON. CHRISTOPHER A. BOYKO
United States District Judge

STIPULATED AND AGREED TO:

FOR PLAINTIFF

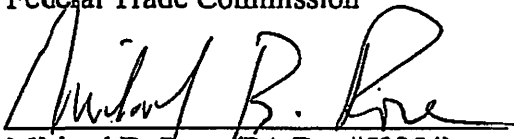
FEDERAL TRADE COMMISSION:

WILLARD K. TOM

General Counsel
Federal Trade Commission

JON MILLER STEIGER

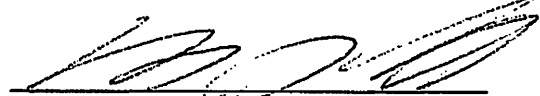
Director - East Central Region
Federal Trade Commission



Michael B. Rose (PA Bar #52954)
Michael Milgrom (OH Bar #0012959)
Maria Del Monaco (OH Bar #0067930)
1111 Superior Avenue, Suite 200
Cleveland, OH 44114
(216) 263-3412 (Rose)
(216) 263-3419 (Milgrom)
(216) 263-3405 (Del Monaco)
(216) 263-3426 (fax)
mrose@ftc.gov
mmilgrom@ftc.gov
mdelmonaco@ftc.gov

FOR SETTLING DEFENDANTS

THE DEBT ADVOCACY CENTER, LLC:



Edward J. Davidson, General Counsel and
CEO of The Debt Advocacy Center, LLC.

**DEFENDANT SMITH, GROMANN &
DAVIDSON, P.A.:**



Edward J. Davidson, owner and Counsel for
Smith, Gromann & Davidson, P.A.

DEFENDANT EDWARD J. DAVIDSON:



Edward J. Davidson, individually

Date: 1/24/12, 2012

SECURITY AGREEMENT

Grant. On this 27th day of JANUARY, 2011², Edward J. Davidson, an individual who resides at 30 Amante Drive, Easton, Connecticut 06612 (hereinafter called "Debtor"), for valuable consideration, i.e., the Settlement of litigation between the Debtor and Secured Party, the Federal Trade Commission, an independent agency of the United States Government with its principal place of business at 600 Pennsylvania Avenue N.W., Washington, D.C. 20580 (hereinafter called "Secured Party") a security interest in, and mortgages to Secured Party, the following described property and interests in property of Debtor (hereinafter called the "Collateral")

COLLATERAL

All contract rights and general intangibles of the Debtor, in **Derby Productions, LLC**, including, without limitation, goodwill, trademarks, trade styles, trade names, leasehold interests, partnership or joint venture interests, patents and patent applications, copyrights, deposit accounts whether now owned or hereafter created, to the extent assignable, all of the Debtor's rights under all present and future authorizations, permits, licenses and franchises issued or granted in connection with the operations of any of its facilities; all products and proceeds (including, without limitation, insurance proceeds) from the above-described Collateral.

OBLIGATIONS

Debtor Edward J. Davidson shall pay to the Commission Thirty Five Thousand Dollars (\$37,500) in installments as follows:

1. Within 60 days of entry of the Order, Debtor Edward J. Davidson shall pay to the Commission the first installment of Two Thousand Dollars (\$2,000) ("first installment");
2. On or before June 1, 2012, Debtor Edward J. Davidson shall pay to the Commission the second installment of Three Thousand Dollars (\$3,000), plus interest ("second installment");
3. After payment of the first and second installments, Debtor Edward J. Davidson shall pay to the Commission Thirty Thousand Dollars (\$30,000) in five installments of Six Thousand Dollars (\$6,000) each, plus interest, beginning not later than six months after June 1, 2012, and repeating every six months thereafter;

4. On or before March 1, 2015, Debtor Edward J. Davidson shall pay to the Commission the remaining balance of Two Thousand Five Hundred Dollars (\$2,500), plus interest;
5. The interest due shall be computed on the unpaid balance and from the entry date of this Order pursuant to 28 U.S.C. § 1961;

Warranties and Covenants of Debtor. Debtor warrants and covenants that:

(a) Debtor is the owner of the Collateral free from any adverse lien, security interest or encumbrance; and Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein.

(b) No Financing Statement covering any of the Collateral or any proceeds thereof is on file in any public office. The Debtor shall immediately notify the Secured Party in writing of any change in name, address, identity or corporate structure from that shown in this Agreement and shall also upon demand furnish to the Secured Party such further information and shall execute and deliver to Secured Party such financing statements and other documents in form satisfactory to Secured Party and shall do all such acts and things as Secured Party may at any time or from time to time reasonably request or as may be necessary or appropriate to establish and maintain a perfected security interest in the Collateral as security for the Obligations, subject to no adverse liens or encumbrances; and Debtor will pay the cost of filing the same or filing or recording this agreement in all public offices wherever filing or recording is deemed by Secured Party to be necessary or desirable. A carbon, photographic or other reproduction of this agreement is sufficient as a financing statement.

(c) Debtor will not sell or offer to sell, assign, pledge, lease or otherwise transfer or encumber the Collateral or any interest therein, without the prior written consent of Secured Party.

(d) Debtor shall keep the Collateral at all times insured against risks of loss or damage by fire (including so-called extended coverage), theft and such other casualties as Secured Party may reasonably require, including collision in the case of any motor vehicles, all in such amounts, under such forms of policies, upon such terms, for such periods and written by such companies or underwriters as Secured Party may approve, losses in all cases to be payable to Secured Party and Debtor as their interests may appear. All policies of insurance shall provide that Secured Party's interest therein shall not be invalidated by the act, omission or neglect of anyone other than Secured Party. Debtor shall furnish Secured Party with certificates of such insurance or other evidence satisfactory to Secured Party as to compliance with the provisions of this paragraph. Secured Party may act as attorney for Debtor in making, adjusting and settling claims under and cancelling such insurance and endorsing Debtor's name on any drafts drawn by insurers of the Collateral.

(e) Debtor will keep the Collateral free from any adverse lien, security interest or encumbrance and in good order and repair, shall not waste or destroy the Collateral or any part thereof, and shall not use the Collateral in violation of any statute, ordinance or policy of insurance thereon.

Secured Party may examine and inspect the Collateral at any reasonable time or times, wherever located.

(f) Debtor will pay promptly when due all taxes and assessments upon the Collateral or for its use or operation or upon this Agreement or upon any note or notes evidencing the Obligations.

Events of Default. Debtor shall be in default under this agreement upon the occurrence of any of the following events or conditions, namely: (a) default in the payment or performance of any of the Obligations or of any covenants or liabilities contained or referred to herein or in any of the Obligations, as set forth above; (b) any warranty, representation or statement made or furnished to Secured Party by or on behalf of Debtor proving to have been false in any material respect when made or furnished; (c) loss, theft, substantial damage, destruction, sale or encumbrance to the Collateral, or the making of any levy, seizure or attachment thereof or thereon; (d) dissolution, termination of existence, filing by Debtor or by any third party against Debtor of any petition under any Federal bankruptcy statute, insolvency, business failure, appointment of a receiver of any part of the property of, or assignment for the benefit of creditors by, Debtor.

Remedies. UPON DEFAULT AND AT ANY TIME THEREAFTER, SECURED PARTY MAY DECLARE ALL OBLIGATIONS SECURED HEREBY IMMEDIATELY DUE AND PAYABLE AND SHALL HAVE THE REMEDIES OF A SECURED PARTY under law, including without limitation the right to take immediate and exclusive possession of the Collateral, or any part thereof, and for that purpose may, so far as Debtor can give authority therefor, with or without judicial process, enter (if this can be done without breach of the peace), upon any premises on which the Collateral or any part thereof may be situated and remove the same therefrom (provided that if the Collateral is affixed to real estate, such removal shall be subject to the conditions stated in the Uniform Commercial Code of Illinois); and the Secured Party shall be entitled to hold, maintain, preserve and prepare the Collateral for sale, until disposed of, or may propose to retain the Collateral subject to Debtor's right of redemption in satisfaction of the Debtor's Obligations as provided in the Uniform Commercial Code of Illinois. Secured Party without removal may render the Collateral unusable and dispose of the Collateral on the Debtor's premises. Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party for possession at a place to be designated by Secured Party which is reasonably convenient to both parties. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will give Debtor at least 5 days' notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. The requirements of reasonable notice shall be met if such notice is mailed, postage prepaid, to the address of Debtor shown at the beginning of this agreement at least ten days before the time of the sale or disposition. Secured Party may buy at any public sale. The net proceeds realized upon any such disposition, after deduction for the expenses of retaking, holding,

preparing for sale or lease, selling, leasing and the like and the reasonable attorney's fees and legal expenses incurred by Secured Party, shall be applied in satisfaction of the Obligations secured hereby. The Secured Party will account to the Debtor for any surplus realized on such disposition and the Debtor shall remain liable for any deficiency.

The remedies of the Secured Party hereunder are cumulative and the exercise of any one or more of the remedies provided for herein or under the Uniform Commercial Code of Connecticut shall not be construed as a waiver of any of the other remedies of the Secured Party so long as any part of the Debtor's Obligation remains unsatisfied.

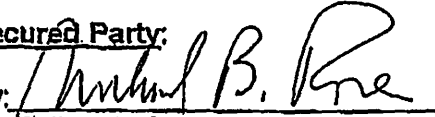
General. No waiver by Secured Party of any default shall operate as a waiver of any other default or of the same default on a future occasion. All rights of Secured Party hereunder shall inure to the benefit of its successors and assigns; and all obligations of Debtor shall bind its successors or assigns. If there be more than one Debtor, their obligations hereunder shall be joint and several. This agreement shall become effective when it is signed by Debtor.

All rights of the Secured Party in, to and under this agreement and in and to the Collateral shall pass to and may be exercised by any assignee thereof. The Debtor agrees that if the Secured Party gives notice to the Debtor of an assignment of said rights, upon such notice the liability of the Debtor to the assignee shall be immediate and absolute. The Debtor will not set up any claim against the Secured Party as a defense, counterclaim or set-off to any action brought by any such assignee for the unpaid balance owed hereunder or for the possession of the Collateral, provided that Debtor shall not waive hereby any right of action to the extent that waiver thereof is expressly made unenforceable under applicable law.

If any provision of this agreement shall be prohibited by or invalid under applicable law such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this agreement

Secured Party:

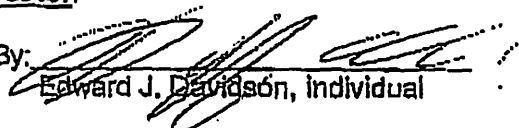
By:



Michael B. Rose
Attorney for Federal Trade Commission

Debtor:

By:



Edward J. Davidson, individual

- 1 Natural dark men's mink
- 2 Max Peter - Abstract flowers - media painting
- 3 Reflections by Frederick Hart
- 4 Graham Nash guitar sculpture
- 5 Rembrandt "Self Portrait" etching
- 6 Salvador Dali painting "Le Baise Main"
- 7 Original oil painting "Amoreno"
- 8 Bronze sculpture - Tunn "reminiscence"
- 9 Royo "El Jarron De Manises" serigraph in color
- 10 Fanch "Unfinished masterpiece" serigraph in color
- 11 Medvedev "front row" serigraph in color
- 12 Royo "Sentada en el Jardin" serigraph in color
- 13 Iazard "April" lithograph
- 14 Cobelle "the fiddler" lithograph
- 15 Bona De Mandiargues "Jour De Fete" serigraph in color
- 16 Rivers "Broadway and Paradise" serigraph
- 17 Campbell "lakeside" serigraph
- 18 Chapellier "Soumission" lithograph
- 19 Alexander & Wissotzky "Roses to Julia" serigraph
- 20 Guan "Interluse" serigraph
- 21 Red guitar
- 22 Gibson signed guitar - mahogany
- 23 Verilax electric guitar signed by various artists
- 24 Gibson guitar signed - red
- 25 Antique Desk
- 26 Unique Glass table

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

THE DEBT ADVOCACY CENTER, LLC,
et al.,

Defendants.

Case No. 1:09cv2712

Judge Boyko

Magistrate Judge Vecchiarelli

STIPULATION AND PROPOSED ORDER

Staff for the Federal Trade Commission (FTC or Commission) and Edward J. Davidson, have outlined an agreement in principle to settle this litigation. That agreement is contingent upon approval of a proposed Final Order by the Commission and the Court. In the interim and in furtherance thereof, these parties presently stipulate and agree to actions and performance concerning Stipulating Defendant Edward J. Davidson's real property. Defendant Edward J. Davidson agrees that he shall make no claim or demand against the FTC or its staff relating to the following:

Stipulating Defendant shall immediately take specific steps, as set forth below, to sell his solely-owned property located at 2559 S. Green Road, Beachwood, OH 44122-1563, Parcel ID 741-08-007 ("2559 S. Green Road" or "The Property"), identified in the Financial Statement of Individual Defendant Edward J. Davidson executed on November 21, 2009, the Supplemental

Financial Information of Defendant Edward J. Davidson dated October 25, 2010, and the deposition of Defendant Edward J. Davidson taken on October 26, 2010.

1. Stipulating Defendant shall sell 2559 S. Green Road upon terms and conditions acceptable to the FTC. Stipulating Defendant shall promptly comply with all reasonable requests from the FTC related to that sale, including, but not limited to, signing listing contracts with real estate agents, signing contracts for the sale of the property, and signing all documents necessary or appropriate for the transfer of the property to a new buyer(s). Commencing with the date on which this Stipulation is executed, until the time such property is transferred to a buyer(s), Stipulating Defendant shall not add any lien or encumbrance to the property, shall keep the property in good repair and in a condition suitable for showing to prospective purchasers, and continue and maintain in full force insurance coverage on the property;

2. Stipulating Defendant agrees that upon approval and entry by the Court of this Stipulation and Order, Temporary Receiver, Mark Dottore be appointed and authorized to sell 2559 S. Green Road. All net proceeds from the sale or auction of 2559 S. Green Road after payment of obligations due and owing to any valid mortgage holders and other priority lien holders, any property taxes owed, any adjustments in favor of the buyer(s) required to sell the ~~property, and any reasonable and customary real estate agent fees and closing costs incurred in~~ connection with such sale or auction that have been approved by counsel for the FTC, which approval shall not be unreasonably withheld, shall be transferred to, and held in escrow by, Temporary Receiver Mark Dottore within ten (10) days of the closing of the sale or auction of the property. The Commission shall withdraw its *lis pendens* notice against the property upon the closing of the sale of the property and transfer of the net sale proceeds to the Temporary Receiver who shall hold such funds until further Order of the Court. Any sheriff, title company,

or other person involved in such a sale or auction may rely on this Order as authority to deliver the net proceeds to Temporary Receiver Mark Dottore;

3. If, after six (6) months from the date of entry of this Order, all interests in 2559 S. Green Road have not been sold, Stipulating Defendant agrees to grant Temporary Receiver Mark Dottore immediate authority to retain an auction company and direct it to sell all his interest in the property at a public auction, provided that, Stipulating Defendant first obtains from counsel for the FTC written approval of the auction company and of the terms established for the auction, which approval shall not be unreasonably withheld;

4. Stipulating Defendant expressly agrees that 2559 S. Green Road is not a homestead property;

5. The FTC will record a *lis pendens* against the property upon entry of this Stipulation and Order by the Court;

Stipulating Defendant represents and acknowledges that the Commission is relying on the material representations that he is the sole owner of the 2559 S. Green Road; that title to the Real Property is marketable; and that the Real Property is not encumbered by any lien, mortgage, deed of trust, assignment, pledge, security interest, or other interest except for the liens, mortgages, or security interests identified by Stipulating Defendant in the Financial Statement, Financial Information and deposition set forth above.

IT IS ORDERED that the foregoing terms of the Stipulation are in full force and effect.

SO ORDERED this 27th day of January, 201~~1~~².

s/Christopher A. Boyko
CHRISTOPHER A. BOYKO
UNITED STATES DISTRICT JUDGE