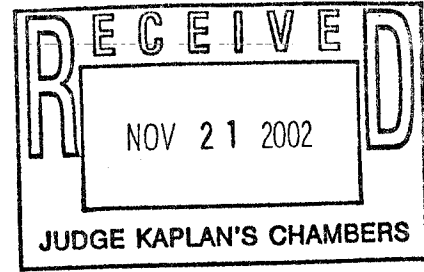
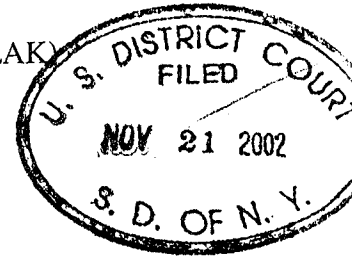


UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK



FEDERAL TRADE COMMISSION,)
)
Plaintiff,)
)
v.)
)
VERITY INTERNATIONAL, LTD., et al.,)
)
Defendants.)

No. 00 Civ. 7422 (LAK)



**STIPULATED FINAL JUDGMENT AND ORDER FOR PERMANENT INJUNCTION
AS TO DEFENDANTS INTEGRETTEL, INC. AND EBILLIT, INC.**

On October 2, 2000, the Federal Trade Commission ("FTC" or "Commission") filed a Complaint for injunctive and other equitable relief in this matter pursuant to Section 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 53(b), charging Defendants Verity International, Ltd., Integretel, Inc. ("Integretel"), eBillit, Inc. ("eBillit"), Robert Green and Marilyn Shein with violations of Section 5 of the FTC Act, 15 U.S.C. § 45(a). The Commission and Defendants Integretel and eBillit, by and through their counsel, have agreed and stipulated to the entry by this Court of a Stipulated Final Judgment and Order for Permanent Injunction ("Final Order"). Pursuant to agreement and stipulation, IT IS HEREBY ORDERED,

ADJUDGED AND DECREED as follows:

FINDINGS

1. This Court has jurisdiction over the subject matter of this action and the parties;
2. Venue in this district is proper;

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3. The Commission's Complaint states a claim upon which relief may be granted against "Defendants" (as that term is defined below) under Section 5(a) of the FTC Act, 15 U.S.C. § 45(a);

4. This Final Order is for settlement purposes only and does not constitute and shall not be interpreted to constitute an admission by the Defendants that they have engaged in any violations of law, or that the facts alleged in the Complaint, other than the jurisdictional facts, are true;

5. Defendants waive any claim they may have under the Equal Access to Justice Act, 28 U.S.C. § 2412, as amended by Pub. L. No. 104-121, 110 Stat. 846, 863-64 (1996), concerning the prosecution of this action;

6. Defendants waive all rights to seek appeal of this Final Order, and further waive and release any claim they may have arising from this law enforcement action against the FTC and the employees, agents, or representatives of the FTC; and

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

DEFINITIONS

For the purpose of this Final Order, the following definitions shall apply:

- A. "ANI-Based Charge" means a charge for an information or entertainment good or service, including but not limited to a charge for an information or entertainment good or service delivered via any Internet web site, which charge is ascribed to a Line Subscriber through the use of automatic telephone number identification, but excluding: (1) charges for services or goods accessed by dialing a 900 number or other number that can be blocked

by the Line Subscriber pursuant to 47 U.S.C. § 228(c); and (2) charges for telephone directory services.

- B. “ANI-Billed Goods or Services” means any information or entertainment goods or services that are billed to consumers based on an ANI-Based Charge.
- C. “Defendants” means Integretel, Inc. or eBillit, Inc., and their respective parents, divisions, subsidiaries, successors and assigns.
- D. “Line Subscriber” means a Person that has arranged with a Local Exchange Carrier to obtain local telephone service provided through an assigned telephone number, and to be billed for such service on a monthly (or other periodic) basis.
- E. “Local Exchange Carrier” or “LEC” means the entity providing local telephone service from which Line Subscribers receive their telephone bill.
- F. “Person” means any individual, partnership, corporation, association, unincorporated association, government or governmental subdivision or agency, group, or other entity.
- G. “Representatives” means Defendants’ officers, partners, employees, and those Persons that the Defendants employ or contract with for the purpose of collecting, or handling inquiries, complaints and requests for refunds or credits for, ANI-Based Charges; provided, however, that “Representatives” does not include LECs or their agents.
- H. “Vendor” means a Person that offers ANI-Billed Goods or Services.
- I. “Verity Defendants” means Verity International, Ltd., Automatic Communications, Ltd., Robert Green and Marilyn Shein.
- J. “Written” includes, but is not limited to, e-mail and other forms of electronic communication.

PROHIBITED BUSINESS PRACTICES

I.

IT IS THEREFORE ORDERED that the Defendants, directly or through their Representatives, are hereby permanently restrained and enjoined from:

- A. Billing, collecting, or attempting to collect from any Line Subscriber, on behalf of any Vendor, any ANI-Based Charge, when the Defendants know or should have known that the Vendor has not obtained the express verifiable authorization from the Line Subscriber, or from a Person authorized by the Line Subscriber, that the Line Subscriber authorizes the ANI-Based Charge;
- B. Failing to obtain the express written agreement from any Vendor, prior to the start of a business relationship with that Vendor or, for current business relationships, within thirty (30) days after the entry date of this Order, that the Vendor will obtain either an express written or electronic authorization, or a voice recording of the sale, from either the Line Subscriber, or from a Person authorized by the Line Subscriber, that the Line Subscriber authorizes the ANI-Based Charge. At a minimum, such authorization or recording must include the following:
 1. The date of authorization;
 2. The telephone number of the line from which the call will be made;
 3. The name and address of the customer, which the Vendor obtains from the customer;
 4. Affirmation that the customer is the Person responsible for charges on the telephone number or is authorized by that Person to incur the charges;

5. A description of the product or service;
 6. A description of the applicable charges;
 7. Acknowledgment by the customer as to how the charges for the product or service will be billed; and
 8. Affirmative acceptance by the customer of the offer.
- C. Failing to investigate, in a reasonable manner, given their nature and quantity, consumer complaints about the unauthorized billing for any ANI-Based Charge to determine whether the Vendor continues to abide by the procedures established pursuant to Subsection (B) of this Paragraph, and failing to take appropriate action against the Vendor, which may include terminating their business relationship with the Vendor, should the Defendants discover that the Vendor is not complying with those procedures; and
- D. Failing to forgive or refund any ANI-Based Charge of a consumer who swears or affirms, under penalty of perjury in an executed affidavit submitted to the Defendants, that the charge was not authorized by the consumer.

II.

IT IS FURTHER ORDERED that the Defendants, in connection with the billing or collection of any ANI-Based Charge, or the provision of customer service related to any ANI-Based Charge, are hereby permanently restrained and enjoined from making, directly or through any Representative, expressly or by implication, any representation of material fact that they know or should know is false, including but not limited to:

- A. Any false representation that a Line Subscriber must pay for any ANI-Based Charge that was not expressly authorized by the Line Subscriber or a Person authorized by the Line Subscriber;
- B. Any false representation that a Line Subscriber is obligated to pay any ANI-Based Charge solely on the basis that such charge was incurred based on the automatic number identification of the Line Subscriber's telephone number;
- C. Any false representation that any ANI-Based Charge has been authorized by a Line Subscriber;
- D. Any false representation in the description of the basis for any ANI-Based Charge for which a Line Subscriber is being billed, such as the termination or destination location of any long distance call being billed; or
- E. Any false representation of the amount owed by any Line Subscriber for any ANI-Based Charge.

**CONSUMER REDRESS
III.**

IT IS FURTHER ORDERED that the Defendants and their Representatives shall release and hereby do release any claims they may have to any of the funds they collected from consumers on behalf of the Verity Defendants. This release does not constitute and shall not be interpreted to constitute a release by Defendants of any claims they may have against any of the Verity Defendants. Within ten (10)^{*} business days from the date of entry of this Final Order, the Defendants shall transfer all such funds by wire transfer in accord with instructions provided by the Commission, which the Commission shall hold in a non-interest bearing escrow account

during the pendency of this litigation. Within thirty (30) days after the date of entry of this Final Order, insofar as the Defendants possess such information, the Defendants shall submit to counsel for the Commission electronic records of the name, address, telephone number, total payments of each consumer who paid money to the Defendants or their Representatives, and dates of such payments, for any purchase or purported purchase from the Verity Defendants. Defendants shall provide any additional information or records, in the form that is presently in their possession, that may be needed to implement consumer redress, as ordered by the Court.

MAINTENANCE OF BUSINESS RECORDS

IV.

IT IS FURTHER ORDERED that, for a period of five (5) years from the entry date of this Final Order, Defendants and their Representatives are hereby restrained and enjoined from failing to create, and from failing to retain for a period of two (2) years following the date of such creation, unless otherwise specified, the following business records related to ANI-Billed Goods or Services:

- A. Records and accounts that, in reasonable detail, accurately and fairly reflect the gross amount processed and billed monthly, quarterly and annually from sales of ANI-Billed Goods or Services, together with the disbursements of such amounts;
- B. Records accurately reflecting the name, address and home telephone number of each person employed by Defendants in any capacity that directly involves billing, collection and/or customer service functions; that person's job title or position; the date upon which the person commenced work; and, if applicable, the date and reason for the person's termination;

- C. For each billing telephone number to which the Defendants or their Representatives, directly or through a LEC, have billed an ANI-Based Charge, records that are sortable by billing telephone number and that include the billing telephone number, the number of billing records, the total charge amount, and the dates, amount and description of each charge;
- D. For each consumer inquiry of any kind or nature received by the Defendants or their Representatives, records organized and retrievable by billing telephone number including: the dollar amount charged; the date and nature of the inquiry; the nature and result of any investigation conducted by the Defendants or their Representatives concerning the inquiry; the date and amount, if applicable, of any credit issued; the date of any denial of a refund request; and any written (including email) correspondence between the consumer and the Defendants or their Representatives;
- E. For each Vendor for which the Defendants or their Representatives provide billing, collection and/or customer inquiry services, records of the name, address and telephone number of that Vendor, and records containing both in the aggregate and on a monthly basis:
1. The total quantity and dollar amount of billing records sent, directly or indirectly, to Line Subscribers on behalf of the Vendor;
 2. The total number of inquiries received by the Defendants or their Representatives;
 3. The total dollar amount remitted to the Vendor; and
 4. The total quantity and dollar amount of all adjustments issued and processed on behalf of the Vendor.

COMPLIANCE REPORTING

V.

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

- A. For a period of five (5) years from the date of entry of this Final Order, the Defendants shall notify the Commission in writing of any expected change in the structure of the Defendants, such as creation, incorporation, dissolution, assignment, sale, merger, creation or dissolution of subsidiaries, expected filing of a bankruptcy petition, or change in the corporate name or address, or any other change that may affect compliance obligations arising out of this Final Order, thirty (30) days prior to the effective date of any expected change; provided, however, that with respect to any expected change in the corporation about which the Defendants learn fewer than thirty (30) days prior to the date such action is to take place, the Defendants shall notify the Commission as soon as practicable after learning of such expected change;
- B. One hundred eighty (180) days after the date of entry of this Final Order, the Defendants shall provide a written report to the Commission, sworn under penalty of perjury, setting forth in detail the manner and form in which the Defendants have complied and are complying with this Final Order. This report shall include a copy of each acknowledgment of receipt of this Final Order obtained by the Defendants pursuant to Paragraph VIII.A below; and
- C. Upon written request by a representative of the Commission, the Defendants shall submit additional written reports (under oath, if requested) and produce documents on fifteen

(15) days' notice, or a reasonably longer time if the reports cannot reasonably be produced in fifteen (15) business days, with respect to any conduct subject to this Final Order.

COMPLIANCE MONITORING VI.

IT IS FURTHER ORDERED that the Commission is authorized to monitor the Defendants' compliance with this Final Order by all lawful means, including, but not limited to, the following means:

- A. The Commission is authorized to use representatives posing as consumers and suppliers to the Defendants, the Defendants' employees, or any other entity managed or controlled in whole or in part by the Defendants, without the necessity of identification or prior notice;
- B. Nothing in this Final Order shall limit the Commission's lawful use of compulsory process, pursuant to Sections 9 and 20 of the FTC Act, 15 U.S.C. §§ 49, 57b-1, to investigate whether the Defendants have violated any provision of this Final Order or Section 5 of the FTC Act, 15 U.S.C. § 45.

ACCESS TO BUSINESS PREMISES VII.

IT IS FURTHER ORDERED that, for a period of five (5) years from the date of entry of this Final Order, for the purpose of further determining compliance with this Final Order, the Defendants shall permit representatives of the Commission, within five (5) business days of receipt of written notice from the Commission:

- A. Access during normal business hours to any office, or facility storing documents, of any business of the Defendants where: (1) the Defendants are majority owners of the business or directly or indirectly manage or control the business; and (2) the business is engaged in the billing or collection of any ANI-Based Charge, or the provision of customer service related to any ANI-Based Charge. In providing such access, the Defendants shall permit representatives of the Commission to inspect, inventory and copy all documents relevant to any matter contained in this Final Order on the business premises (using equipment provided by the Commission or, if the Commission cannot reasonably obtain such equipment, by the Defendants) or, at the option of the Defendants, to remove said documents for a period not to exceed five (5) business days for inspection, inventory or copying; provided, however, that the Commission shall make reasonable efforts not to disrupt the Defendants' business during its inspection, inventory or copying of documents; and
- B. To interview the officers, directors and employees, including all personnel involved in responding to consumer complaints or inquiries, whether designated as employees, consultants, independent contractors or otherwise, of any business to which Subsection (A) of this Paragraph applies, concerning matters relating to compliance with the terms of this Final Order. The person interviewed may have counsel present.

Provided that, upon application of the Commission and for good cause shown, the Court may enter an ex parte order granting immediate access to the Defendants' business premises for the purposes of inspecting and copying all documents relevant to any matter contained in this Final Order.

**DISTRIBUTION OF ORDER BY DEFENDANTS
VIII.**

IT IS FURTHER ORDERED that the Defendants shall:

- A. For a period of five (5) years from the date of entry of this Final Order, provide a copy of this Final Order to, and obtain a signed and dated acknowledgment of receipt of same from, the following: each officer; each director; all personnel involved in responding to consumer complaints or inquiries, whether designated as employees, consultants, independent contractors or otherwise; and all supervisors of such personnel, for any business where: (1) the Defendants are the majority owner of the business or directly or indirectly manage or control the business; and (2) the business is engaged in the billing or collection of any ANI-Based Charge, or the provision of customer service related to any ANI-Based Charge; and
- B. Maintain for a period of two (2) years after creation, and upon reasonable notice make available to representatives of the Commission, the original signed and dated acknowledgments of the receipt of copies of this Final Order, as required in Subsection (A) of this Paragraph.
- C. Defendants shall comply with the conditions of Paragraph VIII.A within the later of ten (10) business days after the entry of this Order or within ten (10) business days of a person becoming employed or appointed in the capacity stated in Paragraph VIII.A.

ACKNOWLEDGMENT OF RECEIPT OF ORDER

IX.

IT IS FURTHER ORDERED that, within five (5) business days after receipt by the Defendants of this Final Order as entered by the Court, the Defendants shall submit to counsel for the Commission a truthful sworn statement, in the form shown on Appendix A, that shall acknowledge receipt of this Final Order.

NOTIFICATION

X.

IT IS FURTHER ORDERED that for purposes of this Final Order, all correspondence and notification that the Defendants are required by this Final Order to provide to the Commission shall reference the case name and number of this matter and shall be sent to:

Associate Director, Division of Marketing Practices
Federal Trade Commission, H-238
600 Pennsylvania Avenue, NW
Washington, DC 20580

RETENTION OF JURISDICTION AND ENTRY OF JUDGMENT


XI.

IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this matter for all purposes. Whenever any party to this agreement believes that changed conditions of fact or law warrant a modification of any provision of this Final Order, that party may request that the other parties to this agreement consent to request such modification from the Court. If the parties do not agree on a modification, any party may request that the Court consider the proposed modification. The Court, after such proceedings as it deems appropriate, may make such modifications to this Final Order as are in the public interest.

XII.

IT IS FURTHER ORDERED that there being no just reason for delay of entry of this judgment, and, pursuant to Federal Rule of Civil Procedure 54(b), the Clerk shall enter this Order immediately.

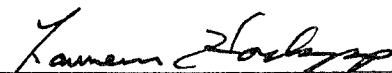
SO ORDERED, this 21st day of November, 2002 at New York, New York.



Lewis A. Kaplan
United States District Judge


The parties hereby consent to the terms and conditions of the Final Order as set forth above and consent to entry thereof.

FOR THE COMMISSION:

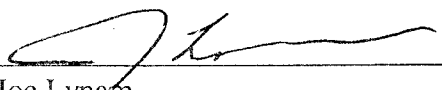


Lawrence Hodapp (LH8843)
David M. Torok (DT2978)
Federal Trade Commission
600 Pennsylvania Ave., N.W., Room H-238
Washington, D.C. 20580
(202) 326-3105 (Hodapp)
(202) 326-3075 (Torok)
(202) 326-3395 (fax)

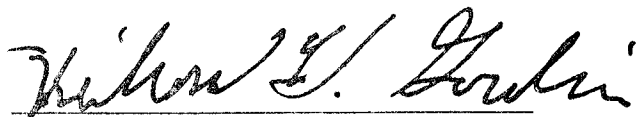
FOR THE DEFENDANTS:



Ken Dawson
President of Defendant Integretel, Inc.



Joe Lynam
President of Defendant eBillit, Inc.



Richard H. Gordin (RG7270)
Tighe Patton Armstrong Teasdale, PLLC
1747 Pennsylvania Avenue, NW, Suite 300
Washington, DC 20006
(202) 454-2800
(202) 454-2805 (fax)

**APPENDIX A TO STIPULATED FINAL JUDGMENT AND ORDER FOR
PERMANENT INJUNCTION AS TO DEFENDANTS
INTEGRETEL, INC. AND EBILLIT, INC.**

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

FEDERAL TRADE COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	No. 00 Civ. 7422 (LAK)
)	
VERITY INTERNATIONAL, LTD., et al.,)	
)	
Defendants.)	
)	

AFFIDAVIT OF _____ [Insert Name]

I, _____ [insert name], being duly sworn, hereby state and affirm as follows:

1. My name is _____ [insert name]. I am a citizen of the United States [or state correct country] and am over the age of eighteen. I have personal knowledge of the facts set forth in this Affidavit.

2. I am a _____ [insert position] of _____ [insert name of company].

3. On _____ [insert date], I received a copy of the Stipulated Final Judgment and Order for Permanent Injunction as to Defendants Integretel, Inc. and eBillit, Inc. ("Final Order"), which was signed by the Honorable Lewis A. Kaplan and entered by the Court on _____ [insert date of entry of Final Order]. A true and correct copy of the Final 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 [insert date], at _____ [insert city and state].

[Sign in space above and insert printed name here]