

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

FILED

FEB 12 2004

MICHAEL W. DOBBINS  
CLERK, U.S. DISTRICT COURT

\_\_\_\_\_  
FEDERAL TRADE COMMISSION,

Plaintiff,

v.

CSCT, INC., *et al.*,

Defendants.  
\_\_\_\_\_

)  
)  
)  
) Civ. No. 03 C 00880  
)  
)  
)  
)  
) Magistrate Judge Bobrick  
)  
)  
)  
)

**STIPULATED FINAL JUDGMENT AND ORDER FOR PERMANENT INJUNCTION**

Plaintiff, the Federal Trade Commission ("Commission"), pursuant to Section 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 53(b), filed a Complaint for Permanent Injunction and Other Equitable Relief, including consumer redress, charging that Defendants CSCT, Inc., CSCT, Ltd., John Leslie Armstrong, and Michael John Reynolds were engaged in deceptive acts or practices in violation of Sections 5(a) and 12 of the FTC Act, 15 U.S.C. §§ 45(a) and 52, in connection with the advertising, promotion, offering for sale, and sale of their purported electromagnetic cancer therapy.

The Commission and Defendants CSCT, Inc., John Leslie Armstrong, and Michael John Reynolds hereby stipulate to entry of this Stipulated Final Judgment and Order for Permanent Injunction with Consumer Redress and Other Equitable Relief ("Order").

**NOW THEREFORE**, the Commission and Defendants having requested the Court to enter this Order, and the Court having considered the Order reached among the parties and for other cause appearing,

**IT IS HEREBY ORDERED, ADJUDGED AND DECREED** as follows:

**FINDINGS**

1. This is an action by the Commission instituted under Sections 5, 12, and 13(b) of the FTC Act, 15 U.S.C. §§ 45, 52, and 53(b). The Commission's Complaint seeks permanent injunctive relief against Defendants in connection with the advertising, promotion, offering for sale, and sale of their purported electromagnetic cancer therapy, and equitable monetary relief in the form of consumer redress and/or disgorgement. Pursuant to these sections of the FTC Act, the Commission has the authority to seek the relief contained herein.

2. This Court has jurisdiction over the subject matter of this action and the parties.

3. Venue is proper as to all parties in the Northern District of Illinois.

4. Plaintiff's Complaint states a claim upon which relief may be granted against Defendants under Sections 5(a), 12, and 13(b) of the FTC Act, 15 U.S.C. §§ 45, 52, and 53(b).

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

6. Defendants, without admitting the allegations set forth in the Commission's Complaint, agree to entry of this Order.

7. The parties 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, and all rights to seek judicial review, or otherwise to challenge the validity of this Order.

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

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

10. Pursuant to Federal Rule of Civil Procedure 65(d), the provisions of this Order are binding upon Defendants, their officers, agents, servants, employees, attorneys, corporations, successors and assigns, and upon those persons or entities in active concert or participation with them who receive actual notice of this Order by personal service or otherwise.

### DEFINITIONS

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

1. **“Assets”** means any legal or equitable interest in, right to, or claim to, any real or personal property, including, but not limited to, chattels, goods, instruments, money, funds, 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.

2. **“Customer”** means any person who is, has been, or may be required to pay for goods or services offered for sale or sold by any Defendant.

3. **“Defendants”** means CSCT, Inc., and each of its divisions, subsidiaries, and affiliates; John Leslie Armstrong; and Michael John Reynolds, and each of them, by whatever names each may be known.

4. **“Document(s)”** or **“record(s)”** is synonymous in meaning and equal in scope to the usage of the term in Federal Rule of Civil Procedure 34(a) and means:

A. The original or a true copy of any written, typed, printed, electronically stored, transcribed, taped, recorded, filmed, punched, or graphic matter or other data compilations of any kind, including, but not limited to, letters, e-mail or other correspondence, messages, memoranda, interoffice

communications, notes, reports, summaries, manuals, magnetic tapes or discs, tabulations, books, records, checks, invoices, work papers, journals, ledgers, statements, returns, reports, schedules, or files; and

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

5. **“Material”** means likely to affect a person’s choice of, or conduct regarding, goods or services.

6. **“Person”** means a natural person, an organization or other legal entity, including a corporation, partnership, sole proprietorship, limited liability company, association, cooperative, or any other group or combination acting as an entity.

7. **“Plaintiff”** means the Federal Trade Commission.

8. **“Food,” “drug,” and “device”** means “food,” “drug,” and “device” as defined in Section 15 of the FTC Act, 15 U.S.C. §55.

9. **“Covered product or service”** means any service, program, food, drug, or device.

10. **“Assisting others”** means providing any of the following goods or services to any person or entity: (a) formulating or providing, or arranging for the formulation or provision of, any good or service related to a treatment or therapy for cancer; (b) formulating or providing, or arranging for the formulation or provision of, any telephone sales script or any other marketing material; (c) hiring, recruiting, or training personnel; (d) advising or consulting others on the commencement or management of a business venture; (e) providing names of, or assisting in the generation of, potential customers; (f) performing customer service functions, including but not limited to, receiving or responding to consumer complaints; (g) performing marketing or telemarketing services of any kind; or (h) acting as an officer or director of a business entity.

11. **“Competent and reliable scientific evidence”** means tests, analyses, research, studies, or other evidence based on the expertise of professionals in the relevant area, that have 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.

12. **“Commerce”** shall have the same meaning as defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

13. **“Zoetron Treatment”** or **“Zoetron Therapy”** (“treatment” or “therapy”) refers to any and all use of a “Zoetron machine” (“machine”) for the purpose of treating any and all forms of cancer. Such “treatment” means any and all use of a Zoetron machine or any machine similar in operation by any defendant for the treatment of cancer.

## I. BAN ON CERTAIN ACTIVITIES

**IT IS ORDERED** that Defendants, whether directly or indirectly, or through any corporation, business entity, or person under their control, are hereby permanently restrained and enjoined from engaging, participating, or assisting others in the advertising, promotion, offering for sale, distribution, or sale of any Zoetron therapy or treatment in or affecting commerce. Nothing in this Order shall be construed as being an exception to this Section.

## II. PROHIBITED BUSINESS ACTIVITIES

**IT IS FURTHER ORDERED** that Defendants, and their officers, agents, servants, employees, corporations, successors and assigns, and those persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise, in connection with the advertising, promotion, offering for sale, distribution, or sale of any cancer therapy or treatment, or any other covered product or service, in or affecting commerce, are hereby restrained and enjoined from making or assisting in the making of, expressly or by implication, orally or in writing:

A. Any false or misleading statement or representation of material fact, including, but not limited to, misrepresenting:

1. That Defendants' therapy is capable of killing cancerous cells;
2. That Defendants' therapy is capable of killing cancerous cells without harming healthy cells;
3. That Defendants' therapy is an effective treatment for cancer;
4. That Defendants' therapy has any effect on cancer tumors;
5. The nature of any cancer therapy, product, or service; and

6. Any material term, condition, or limitation related to the transaction or about the use of any offered cancer therapy, product, or service; and

B. Any representation concerning the health benefits, performance, safety, or efficacy of any such product or service, unless, at the time the representation is first made, Defendants possess and rely upon competent and reliable scientific evidence.

### **III. PROHIBITIONS REGARDING CUSTOMER INFORMATION**

**IT IS FURTHER ORDERED** that Defendants and their officers, agents, servants, employees, corporations, successors and assigns, and those persons in active concert or participation with them who receives actual notice of this Order by personal service or otherwise, are hereby permanently restrained and enjoined from selling, renting, leasing, transferring, or otherwise disclosing the name, address, telephone number, social security number, credit card number, bank account number, e-mail address, or other identifying information of any person who paid money to any defendant at any time prior to the entry date of this Order in connection with the sale of the products or services referenced in the Commission's Complaint, or whose identifying information was obtained for the purpose of soliciting them to pay money to any Defendant in connection with the sale of the products or services referenced in the Commission's complaint; *provided, however*, that Defendants may disclose such identifying information to a law enforcement agency or as required by any law, regulation, or court order.

### **IV. MONETARY JUDGMENT**

**IT IS FURTHER ORDERED** that:

A. Judgment is hereby entered against Defendants CSCT, Inc., John Leslie Armstrong, and Michael John Reynolds, jointly and severally, in the amount of seven million six

hundred fifty thousand dollars (U.S.) (\$7,650,000); *provided, however*, that this judgment shall be suspended as long as the Court makes no finding, as provided in Section V of this Order, that Defendants have materially misrepresented their financial condition or omitted the nature, existence or value of any asset;

B. Any and all funds paid pursuant to Subsections A of this Section IV shall be deposited into a fund administered by the Commission or its agent to be used for equitable relief, including but not limited to consumer redress and any attendant expenses for the administration of any redress fund. In the event that direct redress to consumers is wholly or partially impracticable or funds remain after redress is completed, the Commission may apply any remaining funds for such other equitable relief (including consumer information remedies) as it determines to be reasonably related to the Defendants' practices alleged in the Amended Complaint. Any funds not used for such equitable relief shall be deposited to the Treasury as disgorgement. Defendants shall have no right to challenge the Commission's choice of remedies under this Subsection;

C. 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;

D. Defendants are hereby required, in accordance with 31 U.S.C. § 7701, to furnish to the Commission their Social Security numbers and/or taxpayer identification numbers, which shall be used for purposes of collecting and reporting on any delinquent amount arising out of this Order;



E. Defendants further agree that the facts as alleged in the Amended Complaint shall be taken as true in the event of any subsequent litigation to enforce this Order or to collect amounts due pursuant to this Order, including but not limited to a nondischargeability complaint in any bankruptcy proceeding; and

F. The judgment entered pursuant to Subsection A of this Section IV, and the payment required by Subsection B of this Section IV, are equitable monetary relief, solely remedial in nature, and not a fine, penalty, punitive assessment or forfeiture.

#### V. RIGHT TO REOPEN

**IT IS FURTHER ORDERED** that within five (5) business days after the date of entry of this Order, Defendants shall submit to the Commission a truthful sworn statement, in the form shown on **Appendix A** to this Order, that shall acknowledge receipt of this Order and shall reaffirm and attest to the truthfulness, accuracy, and completeness of their respective financial statements, namely the financial statement of CSCT, Inc., dated June 23, 2003, the financial statement of John Leslie Armstrong dated October 22, 2003, and the financial statement of Michael John Reynolds dated October 21, 2003. The Commission's agreement to this Order is expressly premised upon the financial condition of Defendants, as represented in those financial statements, which contain material information upon which the Commission relied in negotiating and agreeing upon this Order.

If, upon motion of the Commission, 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(s), the Court shall enter judgment

against such Defendant(s), in favor of the Commission, in the amount of seven million, six hundred fifty thousand dollars (U.S.) (\$7,650,000), and the entire amount of the judgment shall become immediately due and payable, less any amount already paid by any Defendant.

*Provided, however,* that in all other respects, this judgment shall remain in full force and effect, unless otherwise ordered by the Court; 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 or the United States might initiate to enforce this Order. For purposes of this Section, Defendants waive any right to contest any of the allegations in the Commission's Complaint.

#### **VI. DISSOLUTION OF ASSET FREEZE**

**IT IS FURTHER ORDERED** that upon payment to the Commission of the amount required by Section IV of this Order, the freeze against the assets of Defendants pursuant to Section V of the Preliminary Injunction Order entered by the Court on February 21, 2003, shall be lifted permanently.

#### **VII. COMPLIANCE MONITORING**

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

A. Within ten (10) days of receipt of written notice from a representative of the Commission, Defendants each shall submit additional written reports, sworn to under penalty of perjury; produce documents for inspection and copying; appear for deposition; and/or provide

entry during normal business hours to any business location in such Defendant's possession or direct or indirect control to inspect the business operation;

B. In addition, the Commission is authorized to monitor compliance with this Order by all other lawful means, including but not limited to the following:

1. obtaining discovery from any person, without further leave of Court, using the procedures prescribed by Fed. R. Civ. P. 30, 31, 33, 34, 36, and 45;
2. posing as consumers and suppliers to any Defendant, any of Defendant's employees, or any other entity managed or controlled in whole or in part by any Defendant, without the necessity of identification or prior notice;

*Provided* that nothing in this Order shall limit the Commission's lawful use of compulsory process, pursuant to Sections 9 and 20 of the FTC Act, 15 U.S.C. §§ 49 & 57b-1, to obtain any documentary material, tangible things, testimony, or information relevant to unfair or deceptive acts or practices in or affecting commerce (within the meaning of 15 U.S.C. § 45(a)(1)); and

C. Defendants shall permit representatives of the Commission to interview any employer, consultant, independent contractor, representative, agent, or employee who has agreed to such an interview, relating in any way to any conduct subject to this Order. The person interviewed may have counsel present.

#### **VIII. COMPLIANCE REPORTING BY DEFENDANTS**

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

- A. For a period of three (3) years from the date of entry of this Order,

1. Defendants John Leslie Armstrong and Michael John Reynolds shall notify the Commission of the following:
  - a. Any changes in Defendant's residence, mailing addresses, and telephone numbers, within ten (10) days of the date of such change;
  - b. Any changes in 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 Defendant is affiliated with, employed by, or performs services for; a statement of the nature of the business; and a statement of Defendant's duties and responsibilities in connection with the business; and
  - c. Any changes in Defendant's name or use of any aliases or fictitious names; and
2. Defendants shall notify the Commission of any changes in corporate structure that may affect compliance obligations arising under this Order, including, but not limited to, a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Order; the filing of a bankruptcy petition; or a change in the corporate name or address, at least thirty (30) days prior to such change, *provided* that, with respect to any proposed

change in the corporation about which the 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 obtaining such knowledge;

B. One hundred eighty (180) days after the date of entry of this Order, each Defendant shall provide a written report to the Commission, sworn to under penalty of perjury, setting forth in detail the manner and form in which they have complied and are complying with this Order. This report shall include, but not be limited to:

1. Any changes required to be reported pursuant to Subsection A above; and
2. A copy of each acknowledgment of receipt of this Order obtained by Defendant pursuant to Section X of this Order; and

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

Director  
Federal Trade Commission  
Midwest Region  
55 East Monroe Street, Suite 1860  
Chicago, Illinois 60603  
Re: FTC v. CSCT, Inc., et al.

#### **IX. RECORD KEEPING PROVISIONS**

**IT IS FURTHER ORDERED** that, for a period of six (6) years from the date of entry of this Order, in connection with any business subject to this Order and where any Defendant is the majority owner of the business or directly or indirectly manages or controls the business, Defendants and their agents, employees, officers, corporations, successors, and assigns, and those persons in active concert or participation with them who receive actual notice of this Order by

personal service or otherwise, are hereby restrained and enjoined from failing to create and retain the following records:

A. Accounting records that reflect the cost of goods or services sold, revenues generated, and the disbursement of such revenues;

B. Personnel records accurately reflecting: the name, address, and telephone number of each person employed in any capacity by such business, including as an independent contractor; that person's job title or position; the date upon which the person commenced work; and the date and reason for the person's termination, if applicable;

C. Customer files containing the names, addresses, phone numbers, dollar amounts paid, quantity of items or services purchased, and description of items or services purchased, to the extent such information is obtained in the ordinary course of business;

D. Complaints and refund requests (whether received directly, indirectly or through any third party) and any responses to those complaints or requests; and

E. Copies of all sales scripts, training materials, advertisements, or other marketing materials.

#### **X. DISTRIBUTION OF ORDER BY DEFENDANT**

**IT IS FURTHER ORDERED** that, for a period of three (3) years from the date of entry of this Order, Defendants shall deliver a copy of this Order to all principals, officers, directors, managers, and employees under Defendants' control for any business that (1) employs or contracts for personal services from Defendant and (2) has responsibilities with respect to the subject matter of this Order. Defendants shall secure from each such person a signed and dated

statement acknowledging receipt of the Order within thirty (30) days after the date of service of the Order or the commencement of the employment relationship.

**XI. ACKNOWLEDGMENT OF RECEIPT OF ORDER BY DEFENDANT**

IT IS FURTHER ORDERED that each Defendant, within five (5) business days of receipt of this Order as entered by the Court, must submit to the Commission a truthful sworn statement acknowledging receipt of this Order.

**XII. RETENTION OF JURISDICTION**

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

**SO STIPULATED:**

Dated: 02/12/04

Nicholas J. Franczyk (by KRS)  
NICHOLAS J. FRANCYK  
Attorney for Plaintiff Federal Trade Commission

Dated: 11/17/03

[Signature]  
JOHN LESLIE ARMSTRONG, Defendant

Dated: 11/17/03

[Signature]  
MICHAEL JOHN REYNOLDS, Defendant

→ Dated: 11/17/03

[Signature]  
CSCT, INC., Defendant

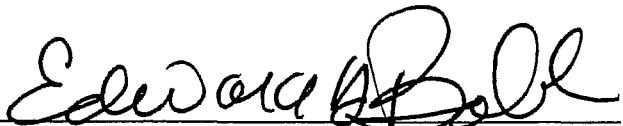
By Michael Reynolds  
[Title] President

Approved as to Form:  
Dated: 2/1/04

W-H Dailey  
WILLIAM H. DAILEY  
Attorney for Defendants CSCT, Inc.,  
John Leslie Armstrong, and Michael John Reynolds

**IT IS SO ORDERED.**

Dated: Feb 17, 2004

  
\_\_\_\_\_  
HONORABLE EDWARD A. BOBRICK  
UNITED STATES MAGISTRATE JUDGE



APPENDIX A

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

<hr/>		)
<b>FEDERAL TRADE COMMISSION,</b>		)
		)
<b>Plaintiff,</b>		) <b>Civ. No. 03 C 00880</b>
		)
<b>v.</b>		)
		)
<b>CSCT, INC., et al.,</b>		) <b>Magistrate Judge Bobrick</b>
		)
<b>Defendants.</b>		)
<hr/>		)

**AFFIDAVIT OF DEFENDANT**

I, \_\_\_\_\_, being duly sworn, hereby state and affirm as follows:

- (1) My name is \_\_\_\_\_. I am a defendant in the above-captioned civil action. 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) My current business address is \_\_\_\_\_. My current business telephone number is \_\_\_\_\_. My current residential address is \_\_\_\_\_  
\_\_\_\_\_. My current residential telephone number is \_\_\_\_\_.
- (3) On \_\_\_\_\_, I received a copy of the Stipulated Final Judgment and Order for Permanent Injunction ("Order"), which was signed by the Honorable Edward A. Bobrick and entered by the Court on \_\_\_\_\_. A true and correct copy of the Order that I received is appended to this Affidavit.

(4) I reaffirm and attest to the truthfulness, accuracy, and completeness of the Financial Statement of Defendant \_\_\_\_\_ that I executed on or about \_\_\_\_\_, 2003, and submitted to the Federal Trade Commission.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed on \_\_\_\_\_, at \_\_\_\_\_.

[City, State]

\_\_\_\_\_  
[Full Name of Defendant]

State of \_\_\_\_\_, City of \_\_\_\_\_

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

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

\_\_\_\_\_

**CERTIFICATE OF SERVICE**

I, Katherine Romano Schnack, hereby certify that on this day I caused to be served a true and correct copy of the parties' **STIPULATED FINAL JUDGMENT AND ORDER FOR PERMANENT INJUNCTION** on the following via first-class U.S. mail:

William H. Dailey  
Attorney at Law  
8749 Holloway Drive  
West Hollywood, California 90069  
(310) 652-1462 (telephone)  
(310) 652-1501 (facsimile)

Attorney for Defendants  
CSCT, INC., JOHN LESLIE ARMSTRONG, and MICHAEL JOHN REYNOLDS

Dated: February 12, 2004

*Katherine Romano Schnack*

Katherine Romano Schnack  
Attorney for Plaintiff  
Federal Trade Commission

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

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

CSCT, INC., *et al.*,

Defendants.

Civ. No. 03 C 00880

Magistrate Judge Bobrick

NOTICE OF FILING

FILED

FEB 12 2004

MICHAEL W. DOBBINS  
CLERK, U.S. DISTRICT COURT

To: William H. Dailey  
Attorney at Law  
8749 Holloway Drive  
West Hollywood, California 90069  
(310) 652-1462 (telephone)  
(310) 652-1501 (facsimile)  
Attorney for Defendants CSCT, Inc.,  
John Leslie Armstrong, and  
Michael John Reynolds

**PLEASE TAKE NOTICE** that on February 12, 2004, Plaintiff filed the parties' **STIPULATED FINAL JUDGMENT AND ORDER FOR PERMANENT INJUNCTION** with the United States District Court for the Northern District of Illinois, Eastern Division, a copy of which is attached hereto. A copy was also delivered to the chambers of the Honorable Edward A. Bobrick, in Room 1318.

Dated: February 12, 2004

Respectfully Submitted,

Katherine Romano Schnack  
KATHERINE ROMANO SCHNACK  
Federal Trade Commission  
55 East Monroe Street, Suite 1860  
Chicago, Illinois 60603  
(312) 960-5634 (telephone)  
(312) 960-5600 (facsimile)  
Attorney for Plaintiff  
FEDERAL TRADE COMMISSION