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and ZANELO, LLC

14 **UNITED STATES DISTRICT COURT**
15 **NORTHERN DISTRICT OF CALIFORNIA**

16 FEDERAL TRADE COMMISSION,
17
18 Plaintiff,
19 v.
20 AH MEDIA GROUP, LLC, HENRY
21 BLOCK, ALAN SCHILL, and ZANELO,
22 LLC
23 Defendants.

Case No.: 19-cv-04022-JD

Hon. James Donato

STIPULATED ORDER FOR
PERMANENT INJUNCTION AND
MONETARY JUDGMENT AGAINST
ALAN SCHILL AND ZANELO, LLC

24
25 Plaintiff, Federal Trade Commission (“Commission”), filed its Amended
26 Complaint for Permanent Injunction and Other Equitable Relief in this matter, pursuant

1 to Sections 13(b) and 19 of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C.
2 §§ 53(b) and 57b, Section 5 of the Restore Online Shoppers’ Confidence Act
3 (“ROSCA”), 15 U.S.C. § 8404, and Section 918(c) of the Electronic Fund Transfer Act
4 (“EFTA”), 15 U.S.C. § 1693o(c). The Commission and Defendants Zanelo, LLC, and
5 Alan Schill, (collectively, “Stipulating Defendants”), stipulate to the entry of this
6 Stipulated Order for Permanent Injunction and Monetary Judgment (“Order”) to resolve
7 all matters in dispute in this action between them.

8 **THEREFORE, IT IS ORDERED** as follows:

9 **FINDINGS**

10 A. This Court has jurisdiction over this matter.

11 B. The Amended Complaint charges that Defendants participated in deceptive
12 and unfair acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a),
13 Section 4 of the Restore Online Shoppers’ Confidence Act (“ROSCA”), 15 U.S.C.
14 § 8403, and Section 907(a) of the Electronic Fund Transfer Act (“EFTA”), 15 U.S.C.
15 § 1693e(a), and Section 1005.10(b) of Regulation E, 12 C.F.R. § 1005.10(b), in the
16 marketing and sale online of skin care products and weight loss supplements.

17 C. Stipulating Defendants neither admit nor deny any of the allegations in the
18 Amended Complaint, except as specifically stated in this Order. Only for purposes of
19 this action, the Stipulating Defendants admit the facts necessary to establish jurisdiction.

20 D. Stipulating Defendants waive any claim they may have under the Equal
21 Access to Justice Act, 28 U.S.C. § 2412, concerning the prosecution of this action
22 through the date of this Order, and agree to bear their own costs and attorney fees.

23 E. Stipulating Defendants waive all rights to appeal or otherwise challenge or
24 contest the validity of this Order.

25 **DEFINITIONS**

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

1 disclosure appears;

2 6. The disclosure must comply with these requirements in each medium
3 through which it is received, including all electronic devices and face-to-face
4 communications;

5 7. The disclosure must not be contradicted or mitigated by, or
6 inconsistent with, anything else in the communication; and

7 8. When the representation or sales practice targets a specific audience,
8 such as children, the elderly, or the terminally ill, “ordinary consumers” includes
9 reasonable members of that group.

10 D. **“Corporate Defendant”** means Zanelo, LLC by whatever other names it
11 may be known, and its subsidiaries, affiliates, successors, and assigns, and any fictitious
12 business entities or business names created or used by these entities.

13 E. **“Individual Defendant”** means Alan Schill and his officers, agents,
14 employees, and attorneys.

15 F. **“Negative Option Feature”** means, in an offer or agreement to sell or
16 provide any good or service, a provision under which the consumer’s silence or failure to
17 take affirmative action to reject a good or service or to cancel the agreement is interpreted
18 by the seller or provider as acceptance or continuing acceptance of the offer.

19 G. **“Preauthorized Electronic Fund Transfer,”** as defined by the Electronic
20 Fund Transfer Act, 15 U.S.C. § 1693a(10), means an electronic fund transfer authorized
21 in advance to recur at substantially regular intervals.

22 H. **“Preliminary Injunction”** means the Stipulated Preliminary Injunction as
23 to Defendants entered on August 28, 2019 (Dkt. #52).

24 I. **“Receiver”** means Robb Evans & Associates LLC, appointed as Receiver
25 pursuant to Section XIV of the Preliminary Injunction.

1 J. “**Receivership Entities**” means the Corporate Defendant and its
2 subsidiaries, affiliates, successors, and assigns, including but not limited to, Accolade
3 Industries LLC; Aleja Vital Balance LLC; Alpha AMC Health LLC; Alpha Brudze LLC;
4 Alpha JF Health LLC; Alpha Stout LLC; Angel Eyes Health LLC; Antidote Industries
5 LLC; Artful Media LLC; Birdman Health Solutions LLC; BJB Health LLC; Byzantine
6 Companies LLC; Cactus Enterprises LLC; CJC Well Being LLC; Cognizant LLC;
7 Dreamy Dawn Products LLC; Ikalka Wellness LLC; Intricate Enterprises LLC; Jaded
8 Excellence LLC; JR Comprehensive Solutions LLC; Kalani Health Solutions LLC; KLG
9 Health LLC; La Puissance Health LLC; PERK Health LLC; Picco Power Solutions LLC;
10 Ponts Capital LLC; RMD Health LLC; Sarah’s Remedies LLC; Sloan Simple Solutions
11 LLC; SMG Investments LLC; SMK Solutions LLC; Spring Chicken Health LLC; Stebo
12 Health Solutions LLC; Street Smart Restoratives LLC; Tremendous Totton LLC; and
13 Wild Cosmo Enterprises LLC.

14 K. “**Stipulating Defendants**” means the Individual Defendant and the
15 Corporate Defendant, individually, collectively, or in any combination.

16 **ORDER**

17 **I. BAN RELATING TO NEGATIVE OPTION FEATURES**

18 **IT IS THEREFORE ORDERED** that Stipulating Defendants, whether acting
19 directly or through an intermediary, are permanently restrained and enjoined from
20 promoting or offering for sale any good or service with a Negative Option Feature.

21 **II. PROHIBITED BUSINESS ACTIVITES**

22 **IT IS FURTHER ORDERED** that Stipulating Defendants, their officers, agents,
23 employees, and attorneys, and all other persons in active concert or participation with any
24 of them, who receive actual notice of this Order, whether acting directly or indirectly, in
25 connection with promoting or offering for sale any good or service, are permanently
26 restrained and enjoined from:

1 connection with promoting or offering for sale any good or service, are permanently
2 restrained and enjoined from failing to obtain a consumer's express informed consent by
3 causing Billing Information to be submitted for payment, or collecting or attempting to
4 collect payment for goods or services, without the consumer's express verifiable
5 authorization, which shall include: (a) the customer's signature, including an electronic or
6 digital form of signature that is recognized as a valid signature under federal law; or (b)
7 express oral authorization that is audio-recorded and made available to the customer and
8 the customer's bank or other billing entity, and that evidences clearly both the customer's
9 authorization of payment and the customer's receipt of the following information: (i) The
10 number of debits, charges, or payments (if more than one); (ii) the date(s) the debit(s),
11 charge(s), or payment(s) will be submitted for payment; (iii) the amounts of the debit(s),
12 charge(s), or payment(s); (iv) the customer's name; (v) the customer's Billing
13 Information identified with sufficient specificity such that the customer understands what
14 account will be used to collect payment; (vi) identification of the seller's name, physical
15 address, and telephone number; and (vii) the date of the customer's oral authorization.

16 **IV. PREAUTHORIZED ELECTRONIC FUND TRANSFERS**

17 **IT IS FURTHER ORDERED** that Stipulating Defendants, their officers, agents,
18 employees, and attorneys, and all other persons in active concert or participation with any
19 of them, who receive actual notice of this Order, whether acting directly or indirectly, in
20 connection with promoting or offering for sale any good or service, are permanently
21 restrained and enjoined from:

22 A. Failing to timely obtain written authorization signed or similarly
23 authenticated by the consumer for any Preauthorized Electronic Fund Transfer from a
24 consumer's account before initiating any Preauthorized Electronic Fund Transfer; or
25
26
27

1 B. Failing to timely provide the consumer a copy of a valid written
2 authorization signed or similarly authenticated by the consumer for any Preauthorized
3 Electronic Fund Transfer.

4 V. **MONETARY JUDGMENT AND PARTIAL SUSPENSION**

5 **IT IS FURTHER ORDERED** that:

6 A. Judgment in the amount of SEVENTY-FOUR MILLION, FIVE
7 HUNDRED THOUSAND DOLLARS (\$74,500,000) is entered in favor of the
8 Commission against Stipulating Defendants, jointly and severally, as equitable monetary
9 relief. The liability of Stipulating Defendants for the judgment shall be joint and several
10 with any and all other Defendants named in the Complaint against whom the Court may
11 enter judgment, jointly and severally, for equitable monetary relief.

12 B. In partial satisfaction of this judgment, Stipulating Defendants shall, within
13 10 business days from receipt of a copy of this Order, transfer to Receiver 415,973.437
14 units of Chainlink cryptocurrency (“Cryptocurrency”), currently in the possession of Karl
15 Kronenberger and identified in the affidavit of Alan Schill dated January 13, 2020. The
16 Receiver shall hold the Cryptocurrency as a separate asset, and not as part of the
17 receivership estate. Defendant Schill claims no ownership interest in the Cryptocurrency,
18 which may be subject to potential claims by a third party. The Receiver and Individual
19 Defendant Schill shall take all steps necessary to transfer the Cryptocurrency to a new
20 account in the sole possession and control of the Receiver. The Receiver shall hold the
21 Cryptocurrency until otherwise directed by court order.

22 C. Upon transfer of the assets identified in this Section V, the remainder of this
23 judgment as to Stipulating Defendants is suspended, subject to the Subsections below.

24 D. The Commission’s agreement to the suspension of part of the judgment is
25 expressly premised upon the truthfulness, accuracy, and completeness of Stipulating
26

1 Defendants' sworn financial statements and related documents (collectively, "financial
2 representations") submitted to the Commission, namely:

- 3 1. Alan Schill's August 5, 2019 sworn Financial Statement of Individual
4 Defendant, including attachments, as revised on August 16, 2019;
- 5 2. Alan Schill's August 5, 2019 Cryptocurrency Financial Statement;
- 6 3. Affidavit of Alan Schill, dated January 13, 2020, including attachments;
7 and
- 8 4. Zanello, LLC's August 23, 2019 sworn Corporate Financial Disclosure
9 Form, including attachments.

10 E. The suspension of the judgment will be lifted as to any Stipulating
11 Defendant if, upon motion by the Commission, the Court finds that the Stipulating
12 Defendant failed to disclose any material asset, materially misstated the value of any
13 asset, or made any other material misstatement or omission in the financial
14 representations identified above.

15 F. If the suspension of the judgment is lifted, the judgment becomes
16 immediately due as to that Stipulating Defendant in the amount specified in Subsection A
17 above (which the parties stipulate only for purposes of this Section represents the
18 consumer injury alleged in the Amended Complaint), less any payment previously made
19 pursuant to this Section, plus interest computed from the date of entry of this Order.

20 G. Stipulating Defendants relinquish dominion and all legal and equitable right,
21 title, and interest in all assets, including the Cryptocurrency, transferred pursuant to this
22 Order and all assets of the Receivership Entities and may not seek the return of any
23 assets.

24 H. The facts alleged in the Amended Complaint will be taken as true, without
25 further proof, in any subsequent civil litigation by or on behalf of the Commission,
26 including in a proceeding to enforce its rights to any payment or monetary judgment

1 pursuant to this Order, such as a nondischargeability complaint in any bankruptcy case.

2 I. The facts alleged in the Amended Complaint establish all elements
3 necessary to sustain an action by the Commission pursuant to Section 523(a)(2)(A) of the
4 Bankruptcy Code, 11 U.S.C. § 523(a)(2)(A), and this Order will have collateral estoppel
5 effect for such purposes.

6 J. Stipulating Defendants acknowledge that their Taxpayer Identification
7 Numbers (Social Security Numbers or Employer Identification Numbers), which
8 Stipulating Defendants previously submitted to the Commission, may be used for
9 collecting and reporting on any delinquent amount arising out of this Order, in
10 accordance with 31 U.S.C. § 7701.

11 K. All money paid to the Commission pursuant to this Order may be deposited
12 into a fund administered by the Commission or its designee to be used for equitable
13 relief, including consumer redress and any attendant expenses for the administration of
14 any redress fund. If a representative of the Commission decides that direct redress to
15 consumers is wholly or partially impracticable or money remains after redress is
16 completed the Commission may apply any remaining money for such other equitable
17 relief (including consumer information remedies) as it determines to be reasonably
18 related to Defendants' practices alleged in the Amended Complaint. Any money not used
19 for such equitable relief is to be deposited to the U.S. Treasury as disgorgement.
20 Stipulating Defendants have no right to challenge any actions the Commission or its
21 representatives may take pursuant to this Subsection.

22 VI. CUSTOMER INFORMATION

23 **IT IS FURTHER ORDERED** that Stipulating Defendants, their officers, agents,
24 employees, and attorneys, and all other persons in active concert or participation with any
25 of them, who receive actual notice of this Order, are permanently restrained and enjoined
26 from directly or indirectly:

1 A. Failing to provide sufficient customer information to enable the Commission
2 to efficiently administer consumer redress. Stipulating Defendants represent that they
3 have provided all redress information in their possession or control to the Commission.
4 If a representative of the Commission requests in writing any information related to
5 redress, Stipulating Defendants must provide it, in the form prescribed by the
6 Commission, within 14 days.

7 B. Disclosing, using, or benefitting from customer information, including the
8 name, address, telephone number, email address, social security number, other
9 identifying information, or any data that enables access to a customer's account
10 (including a credit card, bank account, or other financial account), that any Defendant
11 obtained prior to entry of this Order in connection online transactions promoting or
12 offering for sale any good or service with a Negative Option Feature.

13 C. Failing to destroy such customer information in all forms in their possession,
14 custody, or control within 30 days after receipt of written direction to do so from a
15 representative of the Commission.

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

19 **VII. COOPERATION**

20 **IT IS FURTHER ORDERED** that Stipulating Defendants must fully cooperate
21 with representatives of the Commission in this case and in any investigation related to or
22 associated with the transactions or the occurrences that are the subject of the Amended
23 Complaint. Stipulating Defendants must provide truthful and complete information,
24 evidence, and testimony. Individual Defendants must appear and Corporate Defendants
25 must cause their officers, employees, representatives, or agents to appear for interviews,
26 discovery, hearings, trials, and any other proceedings that a Commission representative

1 may reasonably request upon 5 days written notice, or other reasonable notice, at such
2 places and times as a Commission representative may designate, without the service of a
3 subpoena.

4 **VIII. CONTINUATION OF RECEIVER**

5 **IT IS FURTHER ORDERED** that the appointment of the Receiver over the
6 Defendants pursuant to Section XIV of the Preliminary Injunction is hereby continued.

7 A. Upon entry of this Order, the Receiver is authorized to liquidate all
8 remaining receivership property as to the Receivership Entities.

9 B. Upon resolution of this case with respect to all Defendants, the Receiver is
10 authorized to dispose of all remaining files and records relating to Stipulating
11 Defendants.

12 C. Upon resolution of this case with respect to all Defendants, and after final
13 payment to the Receiver of all approved fees, costs, and expenses, the Receiver shall turn
14 over to the Commission or its designated agent all remaining assets of Stipulating
15 Defendants in the receivership estate.

16 D. The Receiver is directed to wind up the Receivership Entities and liquidate
17 all assets of these entities within 90 days after entry of this Order, but any party or the
18 Receiver may request that the Court extend the Receiver's term for good cause.

19 E. Upon completion of the above tasks, the duties of the receivership shall
20 terminate.

21 **IX. DISSOLUTION OF ASSET FREEZE AS TO STIPULATING**
22 **DEFENDANTS**

23 **IT IS FURTHER ORDERED** that the freeze on assets of Stipulating Defendants
24 imposed pursuant to the Temporary Restraining Order entered on July 18, 2019 (Dkt.
25 #26) and the Preliminary Injunction entered on August 28, 2019 (Dkt. #52) is modified to
26 permit the payments and other transfers identified in Section V above. Upon completion

1 of all payments and other obligations identified in Sections V and VIII above, the asset
2 freeze is dissolved as to Stipulating Defendants. A financial institution shall be entitled
3 to rely upon a letter from a representative of the Commission stating that the freeze on a
4 Stipulating Defendant's assets has been lifted.

5 **X. ORDER ACKNOWLEDGEMENTS**

6 **IT IS FURTHER ORDERED** that Stipulating Defendants obtain
7 acknowledgments of receipt of this Order:

8 A. Each Stipulating Defendant, within 7 days of entry of this Order, must
9 submit to the Commission an acknowledgment of receipt of this Order sworn under
10 penalty of perjury.

11 B. For 5 years after entry of this Order, the Individual Defendant for any
12 business that such Individual Defendant, individually or collectively with any other
13 Defendants, is the majority owner or controls directly or indirectly, and each Corporate
14 Defendant, must deliver a copy of this Order to: (1) all principals, officers, directors, and
15 LLC managers and members; (2) all employees having managerial responsibilities for
16 conduct related to the subject matter of the Order and all agents and representatives who
17 participate in conduct related to the subject matter of the Order; and (3) any business
18 entity resulting from any change in structure as set forth in the Section titled Compliance
19 Reporting. Delivery must occur within 7 days of entry of this Order for current
20 personnel. For all others, delivery must occur before they assume their responsibilities.

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

24 **XI. COMPLIANCE REPORTING**

25 **IT IS FURTHER ORDERED** that Stipulating Defendants make timely
26 submissions to the Commission:

1 that Stipulating Defendant has any ownership interest in or controls directly or indirectly
2 that may affect compliance obligations arising under this Order, including: creation,
3 merger, sale, or dissolution of the entity or any subsidiary, parent, or affiliate that engages
4 in any acts or practices subject to this Order.

5 2. Additionally, each Individual Defendant must report any change in:
6 (a) name, including aliases or fictitious name, or residence address; or (b) title or role in
7 any business activity, including any business for which the Individual Defendant
8 performs services, whether as an employee or otherwise, and any entity in which
9 Individual Defendant has any ownership interest, and identify the name, physical address,
10 and any Internet address of the business or entity.

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

14 D. Any submission to the Commission required by this Order to be sworn under
15 penalty of perjury must be true and accurate and comply with 28 U.S.C. § 1746, such as
16 by concluding: “I declare under penalty of perjury under the laws of the United States of
17 America that the foregoing is true and correct. Executed on: _____” and supplying
18 the date, signatory’s full name, title (if applicable), and signature.

19 E. Unless otherwise directed by a Commission representative in writing, all
20 submissions to the Commission pursuant to this Order must be emailed to
21 DEbrief@ftc.gov or sent by overnight courier (not the U.S. Postal Service) to: Associate
22 Director for Enforcement, Bureau of Consumer Protection, Federal Trade Commission,
23 600 Pennsylvania Avenue NW, Washington, DC 20580. The subject line must begin:
24 *FTC v. AH Media Group, LLC, et al.*, FTC Matter No. X190034.

XII. RECORDKEEPING

IT IS FURTHER ORDERED that Stipulating Defendants must create certain records for 20 years after entry of the Order, and retain each such record for 5 years. Specifically, Stipulating Defendants for any business that such Stipulating Defendant, individually or collectively with any other Defendant in this matter, is a majority owner or controls directly or indirectly, must create and retain the following records:

A. Accounting records showing the revenues from all goods or services sold;

B. Personnel records showing, for each person providing services, whether as an employee or otherwise, that person's: name; addresses; telephone numbers; job title or position; dates of service; and (if applicable) the reason for termination;

C. Records of all consumer complaints and refund requests, whether received directly or indirectly, such as through a third party, and any response;

D. All records necessary to demonstrate full compliance with each provision of this Order, including all submissions to the Commission; and

E. A copy of each unique advertisement or other marketing material.

XIII. COMPLIANCE MONITORING

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

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

1 31, 33, 34, 36, 45, and 69.

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

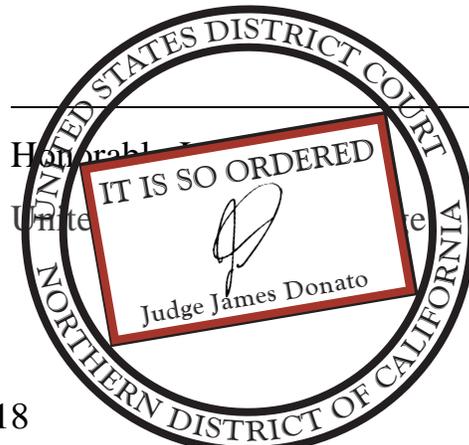
7 C. The Commission may use all other lawful means, including posing, through
8 its representatives as consumers, suppliers, or other individuals or entities, to Stipulating
9 Defendants or any individual or entity affiliated with Stipulating Defendants, without the
10 necessity of identification or prior notice. Nothing in this Order limits the Commission's
11 lawful use of compulsory process, pursuant to Sections 9 and 20 of the FTC Act, 15
12 U.S.C. §§ 49, 57b-1.

13 D. Upon written request from a representative of the Commission, any
14 consumer reporting agency must furnish consumer reports concerning Individual
15 Defendant Alan Schill, pursuant to Section 604(1) of the Fair Credit Reporting Act, 15
16 U.S.C. § 1681b(a)(1).

17 **XIV. RETENTION OF JURISDICTION**

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

20 **SO ORDERED** this 6th day of March, 2020.



1 **SO STIPULATED AND AGREED:**

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3 **FEDERAL TRADE COMMISSION**

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5 Emily Cope Burton

Date: 2/19/20

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Roberta A. Tonelli

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FOR STIPULATING DEFENDANT'S

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Karl N. Kronenberger

Date: 1-31-20

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