

**ROBB EVANS & ASSOCIATES LLC**

**Receiver of**

**World Traders Association, Inc.; United Traders Association, Inc.; International  
Merchandise Group, Inc.; Trans-global Connection, Inc.; Musketeer Partners, Inc.;**  
**Fulfillment Options, Inc. and**

**Certain Real Property Assets of Sheldon Fidler and Judith T. Fidler**

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Facsimile No.: (818) 768-8802

**Federal Trade Commission v. World Traders Association, Inc, et al.**  
**CASE No. CV-05 0591 AHM (CTx)**

**Stipulated Preliminary Injunction with Asset Freeze,  
Appointment of Permanent Receiver**

**Filed February 22, 2005**

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FEDERAL TRADE COMMISSION  
U.S. DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA  
LOS ANGELES

**UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA**

FILED  
CLERK, U.S. DISTRICT COURT  
FEB 22 2005  
CENTRAL DISTRICT OF CALIFORNIA  
BY [Signature] DEPUTY

**FEDERAL TRADE COMMISSION,**  
**Plaintiff,**  
v.  
**WORLD TRADERS ASSOCIATION,  
INC., et al.,**  
**Defendants.**

CASE NO. CV 05-591 AHM (CTx)

**STIPULATED PRELIMINARY  
INJUNCTION WITH ASSET  
FREEZE, APPOINTMENT OF  
RECEIVER, AND OTHER  
EQUITABLE RELIEF**

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This matter comes before the Court on stipulation of Plaintiff Federal Trade Commission ("Commission" or "FTC") and Defendants. On January 25, 2005, the FTC filed a Complaint for a Permanent Injunction and Other Relief, including redress to consumers, pursuant to Sections 13(b) and 19(a) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 53(b) and 57b(a), and applied *ex parte* for a Temporary Restraining Order pursuant to Rule 65 of the Federal Rules of Civil Procedure, Fed. R. Civ. P. 65. That same day, this Court, having considered the Complaint, declarations, exhibits, and memorandum of law filed in support of Plaintiff's Application, issued a temporary restraining order with an asset freeze, appointed Robb Evans and Associates as Temporary Receiver for the Corporate Defendants, and ordered other ancillary equitable relief ("TRO").

The TRO contained an order that each of the Defendants appear before this Court on February 7, 2005 to show cause why the Court should not enter a Preliminary Injunction enjoining the violations of law alleged in the Commission's Complaint, continuing the freeze of Defendants' assets, continuing the Receivership, and imposing additional relief as appropriate. On February 4, 2005, upon Joint Stipulation of the parties, this Court continued the Preliminary

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1 Injunction hearing to February 14, 2005 and extended the TRO until the date it  
2 rules on the Preliminary Injunction. On February 9, 2005, the FTC lodged a  
3 Proposed Preliminary Injunction for the Court's consideration.

4 On February 11, 2005 the FTC filed a Supplemental Memorandum in  
5 Support of a Preliminary Injunction and Defendants filed an Opposition to  
6 Plaintiff's Request for Preliminary Injunction. On February 14, 2005, the Court  
7 held a show cause hearing at which the Court indicated that it intended to enter the  
8 Proposed Preliminary Injunction submitted by the FTC with modifications to  
9 Sections I and II as agreed upon by the parties. After agreeing upon the  
10 modifications to Sections I and II, the parties submit this Stipulated Preliminary  
11 Injunction with Asset Freeze, Appointment of Receiver, and Other Equitable  
12 Relief.

13 Based upon the evidence presented to the Court by the parties, the Court  
14 makes the following findings of fact and conclusions of law:

15 1. This Court has jurisdiction of the subject matter of this case and there is  
16 good cause to believe it will have jurisdiction over all the parties hereto;

17 2. There is good cause to believe that Defendants have engaged and are  
18 likely to engage in acts and practices that violate Section 5(a) of the FTC Act, 15  
19 U.S.C. § 45(a), and the Commission's Rule entitled Disclosure Requirements and  
20 Prohibitions Concerning Franchise and Business Opportunity Ventures (the  
21 "Franchise Rule"), 16 C.F.R. Part 436, and that the Commission is therefore likely  
22 to prevail on the merits of this action;

23 3. There is good cause to believe that immediate and irreparable harm will  
24 result from Defendants' ongoing violations of Section 5 of the FTC Act and the  
25 Franchise Rule unless they are restrained and enjoined by Order of this Court;

26 4. There is good cause to believe that immediate and irreparable damage to  
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1 the Court's ability to grant effective final relief for consumers in the form of  
2 monetary restitution will occur from the sale, transfer, or other disposition or  
3 concealment by Defendants of assets or records unless Defendants are  
4 immediately restrained and enjoined by Order of this Court;

5 5. Good cause exists for appointing a Receiver for the Corporate  
6 Defendants World Traders Association, Inc., United Traders Association, Inc.,  
7 International Merchandise Group, Inc., Trans-Global Connection, Inc., Musketeer  
8 Partners, Inc., Fulfillment Options, Inc., and any affiliates, fictitious names,  
9 d/b/a's, subsidiaries, successors, or assigns of the aforementioned entities,  
10 including but not limited to International Associates Worldwide, Inc., Magna  
11 Delta, LLC, Office Options, LLC, and 4 Discount Flowers, Inc.;

12 6. Weighing the equities and considering the Commission's likelihood of  
13 ultimate success, a Preliminary Injunction with an asset freeze, appointment of a  
14 Receiver, and other equitable relief is in the public interest; and

15 7. As an agency of the United States, no security is required of the  
16 Commission for the issuance of a restraining order. (Fed. R. Civ. P. 65(c)).

17 **DEFINITIONS**

18 1. "Assets" means any legal or equitable interest in, right to, or claim to, any  
19 real and personal property, including, but not limited to chattel, goods,  
20 instruments, equipment, fixtures, general intangibles, inventory, checks, notes,  
21 leaseholds, effects, contracts, mail or other deliveries, shares of stock, lists of  
22 consumer names, accounts, credits, premises, receivables, funds, and cash,  
23 wherever located, whether in the United States or abroad;

24 2. "Business venture" means any written or oral business arrangement,  
25 however denominated, regardless of whether covered by the Franchise Rule,  
26 which consists of the payment of any consideration for:

- 1 a. the right or means to offer, sell, or distribute goods or services
- 2 (regardless of whether identified by a trademark, service mark, trade
- 3 name, advertising, or other commercial symbol); and
- 4 b. more than nominal assistance to any person or entity in connection
- 5 with or incident to the establishment, maintenance, or operation of a
- 6 new business or the entry by an existing business into a new line or
- 7 type of business;

8 2. "Corporate Defendants" means: the entities named in the Complaint, World  
9 Traders Association, Inc., United Traders Association, Inc., International  
10 Merchandise Group, Inc., Trans-Global Connection, Inc., Musketeer Partners, Inc.,  
11 Fulfillment Options, Inc.; and any affiliates, fictitious names, d/b/a's, subsidiaries,  
12 successors, or assigns of the aforementioned entities, including but not limited to  
13 International Associates Worldwide, Inc., Magna Delta, LLC, Office Options,  
14 LLC, and 4 Discount Flowers;

15 3. "Individual Defendants" means Judith Takala Fidler, Sheldon Fidler,  
16 Shannon Holden, Jaime Klotthor, Jennifer Klotthor, and Scott Rinaldo;

17 4. "Defendants" means: a) each Corporate Defendant; b) each Individual  
18 Defendant; c) any person insofar as he or she is acting in the capacity of an officer,  
19 agent, servant, employee or attorney of any Corporate Defendant or any Individual  
20 Defendant; and d) any persons or entities in active concert or participation with  
21 any of the foregoing who receive actual notice of this Order by personal service or  
22 otherwise, whether these persons or entities are acting directly or through a trust,  
23 corporation, subsidiary, division, or other device;

24 5. "Document" is synonymous in meaning and equal in scope to the usage of  
25 the term in Fed. R. Civ. P. 34(a), and includes writings, drawings, graphs, charts,  
26 photographs, audio and video recordings, computer records, and other data

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1 compilations from which information can be obtained and translated, if necessary,  
2 through detection devices into reasonably usable form. A draft or non-identical  
3 copy is a separate document within the meaning of the term;

4 6. "Receiver" shall mean the receiver appointed in Section XI of this Order  
5 and any deputy receivers or agents that may be named by the Receiver; and

6 7. "Receivership Defendants" shall mean the Corporate Defendants and any  
7 other entities in active concert or participation with the Corporate Defendants who  
8 receive actual notice of this Order by personal service or otherwise, whether these  
9 entities are acting directly or through a trust, corporation, subsidiary, division, or  
10 other device;

11 **ORDER**

12 **I. BAN AGAINST ANY INVOLVEMENT WITH BUSINESS**  
13 **VENTURES INVOLVING THE SALE OR**  
14 **PURCHASE OF DISCOUNTED OR SURPLUS GOODS**

15 **IT IS THEREFORE ORDERED** that, during the pendency of this action,  
16 Defendants are hereby enjoined from advertising, marketing, promoting, offering  
17 for sale, or selling any business venture involving the sale or purchase of  
18 discounted or surplus goods.

19 **II. PROHIBITION AGAINST VIOLATION OF SECTION 5**  
20 **OF THE FEDERAL TRADE COMMISSION ACT**

21 **IT IS THEREFORE ORDERED** that, that during the pendency of this  
22 action, in connection with the offering for sale or selling of any business venture,  
23 including franchises, Defendants are hereby restrained and enjoined from making  
24 any material misrepresentation or assisting others in making any material  
25 misrepresentation, either expressly or by implication, to any prospective purchaser  
26 of a business venture, including but not limited to, the following:

- 27 1. That consumers who purchase Defendants' business ventures are likely  
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1 to earn substantial income;

2 2. That consumers who purchase Defendants' business ventures will be  
3 provided with names and contact information of buyers who have been previously  
4 contacted by defendants and are interested in purchasing Defendants' products;

5 3. That consumers who purchase Defendants' business ventures will  
6 acquire accounts of buyers who are interested in purchasing Defendants' products;

7 4. That company-selected references have purchased the Defendants'  
8 business ventures or will provide reliable descriptions of experiences with the  
9 business ventures; or

10 5. That Defendants will provide consumers who purchase their business  
11 ventures with training and support for the operation of the consumers' businesses.

12 **III. PROHIBITION AGAINST VIOLATION OF THE FRANCHISE RULE**

13 **IT IS FURTHER ORDERED** that, during the pendency of this action,  
14 Defendants are hereby restrained and enjoined from violating or assisting others to  
15 violate any provisions of the Franchise Rule, 16 C.F.R. Part 436, including but not  
16 limited to:

17 1. Failing to provide a prospective purchaser with a complete and accurate  
18 disclosure document as prescribed by the Franchise Rule, 16 C.F.R. § 436.1(a);

19 2. Failing to provide a prospective purchaser with an earnings claim  
20 document as prescribed by the Franchise Rule, 16 C.F.R. § 436.1(b)-(e);

21 3. Failing to have a reasonable basis for any earnings claim at the time such  
22 claim is made, as required by the Franchise Rule, 16 C.F.R. § 436.1(b)-(e);

23 4. Failing to disclose, in immediate conjunction with any earnings claim,  
24 and in a clear and conspicuous manner, that material which constitutes a  
25 reasonable basis for the earnings claim is available to the prospective purchasers;

26 or

1 5. Failing to provide materials which constitute a reasonable basis for any  
2 earnings claim to prospective purchasers, the Commission, or its staff upon  
3 reasonable demand.

4 **IV. ASSET FREEZE**

5 **IT IS FURTHER ORDERED** that Defendants are hereby restrained and  
6 enjoined from:

7 1. Transferring, liquidating, converting, encumbering, pledging, loaning,  
8 selling, concealing, dissipating, disbursing, assigning, spending, withdrawing,  
9 granting a lien or security interest or other interest in, or otherwise disposing of  
10 any funds, real or personal property, accounts, contracts, consumer lists, shares of  
11 stock, or other assets, or any interest therein, wherever located, whether within the  
12 United States or within a jurisdiction outside the United States, that are:

13 (1) owned or controlled by any of the Corporate Defendants or Individual  
14 Defendants in whole or in part; (2) held in the actual or constructive possession of  
15 any Corporate Defendant or Individual Defendant; or (3) owned, controlled by, or  
16 in the actual or constructive possession of any corporation, partnership, or other  
17 entity directly or indirectly owned, managed, or controlled by any Corporate  
18 Defendant or Individual Defendant, including, but not limited to, any assets held  
19 by or for, or subject to access by, any of the Defendants, at any bank or savings  
20 and loan institution, or with any broker-dealer, escrow agent, title company,  
21 commodity trading company, precious metals dealer, or other financial institution  
22 or depository of any kind;

23 2. Opening or causing to be opened any safe deposit boxes titled in the  
24 name of any Corporate Defendant or Individual Defendant, or subject to access by  
25 any of them;

26 3. Obtaining a personal or secured loan encumbering the assets of any  
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1 Corporate Defendant or Individual Defendant; and

2 4. Incurring liens or other encumbrances on real property, personal property  
3 or other assets in the name, singly or jointly, of any Corporate Defendant or  
4 Individual Defendant.

5 5. Notwithstanding the above provisions in this Section and  
6 notwithstanding any provisions to the contrary in Section V of this Order:

7 (a) Individual Defendants Sheldon Fidler and Judith Takala Fidler may pay from  
8 their respective frozen personal funds or accounts reasonable, usual, ordinary and  
9 necessary living expenses (including for housing) and attorneys' fees not to  
10 exceed in the aggregate \$7,500 <sup>per month</sup>. In the event that the frozen funds of Individual  
11 Defendants Sheldon Fidler and Judith Takala Fidler are less than \$7500, the  
12 amount subject to this provision shall be limited to the amount actually frozen;

13 (b) Individual Defendants Jennifer Klotthor, Jaime Klotthor, Scott Rinaldo,  
14 and Shannon Holden may pay from their respective frozen personal funds or  
15 accounts reasonable, usual, ordinary and necessary living expenses (including for  
16 housing) and attorneys' fees not to exceed in the aggregate \$5000 <sup>per month</sup> per defendant. *ATM*  
17 In the event that the frozen funds of Individual Defendants Jennifer Klotthor,  
18 Jamie Klotthor, Scott Rinaldo, and Shannon Holden are less than \$5000, the  
19 amount subject to this provision shall be limited to the amount actually frozen.

20 The assets affected by subdivisions (1) - (4) of this Section include: (1) all  
21 assets of any of the Corporate Defendants or Individual Defendants as of the time  
22 this Order was entered; and (2) assets obtained after the time this Order was  
23 entered if the assets are derived from the conduct alleged in the Commission's  
24 Complaint.

25 **V. RETENTION OF ASSETS AND RECORDS**  
26 **BY FINANCIAL INSTITUTIONS**

27 **IT IS FURTHER ORDERED** that any financial or brokerage institution,

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1 business entity, or person served with a copy of this Order that holds, controls or  
2 maintains custody of any account or asset of any Corporate Defendant or  
3 Individual Defendant shall:

4 1. Hold and retain within its control and prohibit the withdrawal, removal,  
5 assignment, transfer, pledge, encumbrance, disbursement, dissipation, conversion,  
6 sale, or other disposal of any such asset, except by further order of the Court;

7 2. Deny Defendants access to any safe deposit box that is titled in the name,  
8 individually or jointly or otherwise subject to access by any Corporate Defendant  
9 or Individual Defendant;

10 3. To the extent not already done under the TRO issued by this Court on  
11 January 25, 2004, provide the Commission's counsel, within five (5) days of  
12 receiving a copy of this Order, a sworn statement setting forth:

13 a. the identification number of each such account or asset titled in the  
14 name, individually or jointly, of any Corporate Defendant or  
15 Individual Defendant, or held on behalf of, or for the benefit of any  
16 Corporate Defendant or Individual Defendant;

17 b. the balance of each such account, or a description of the nature and  
18 value of such asset as of the close of business on the day on which  
19 this Order is served, and, if the account or other asset has been closed  
20 or removed, the date closed or removed, the total funds removed in  
21 order to close the account, and the name of the person or entity to  
22 whom such account or other asset was remitted; and

23 c. the identification of any safe deposit box that is titled in the name,  
24 individually or jointly, of any Corporate Defendant or Individual  
25 Defendant, or is otherwise subject to access by any Corporate  
26 Defendant or Individual Defendant;

1 4. Upon request by the Commission, promptly provide the Commission  
2 with copies of all records or other documentation pertaining to each such account  
3 or asset, including but not limited to originals or copies of account applications,  
4 account statements, signature cards, checks, drafts, deposit tickets, transfers to and  
5 from the accounts, all other debit and credit instruments or slips, currency  
6 transaction reports, Forms 1099, and safe deposit box logs; and

7 5. Cooperate with all reasonable requests of the Receiver relating to  
8 implementation of this Order, including transferring funds to the Receiver.

9 **VI. PRESERVATION OF RECORDS**

10 **IT IS FURTHER ORDERED** that Defendants are hereby restrained and  
11 enjoined from:

12 1. Destroying, erasing, mutilating, concealing, altering, transferring or  
13 otherwise disposing of, in any manner, directly or indirectly, any documents that  
14 relate to the business, business practices, assets, or business or personal finances  
15 of any Corporate Defendant or Individual Defendant; and

16 2. Failing to create and maintain documents that, in reasonable detail,  
17 accurately, fairly, and completely reflect Defendants' incomes, disbursements,  
18 transactions, and use of money.

19 **VII. CONSUMER CREDIT REPORTS**

20 **IT IS FURTHER ORDERED** that pursuant to Section 604(1) of the Fair  
21 Credit Reporting Act, 15 U.S.C. § 1681b(1), any consumer reporting agency may  
22 furnish the Commission with a consumer report concerning any Corporate  
23 Defendant or Individual Defendant.

24 **VIII. FINANCIAL DISCLOSURES**

25 **IT IS FURTHER ORDERED** that, to the extent that Defendants have not  
26 complied with Section VI of the TRO, each Defendant shall, within forty-eight  
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1 (48) hours of a request by the Commission, prepare and deliver to counsel for the  
2 Commission and to the Receiver supplemental information required to be provided  
3 by the financial statements forms attached to the TRO Order as Attachment A  
4 (Financial Statement of Individual Defendant) and Attachment B (Financial  
5 Statement of Corporate Defendant), for themselves individually and for each  
6 business entity under which they conduct business or of which they are an officer,  
7 and for each trust for which any Corporate Defendant or Individual Defendant is a  
8 trustee. The financial statements shall include a full accounting of all funds and  
9 assets, whether located inside or outside of the United States, that are: (a) titled in  
10 the name of such Corporate Defendant or Individual Defendant, jointly, severally  
11 or individually; (b) held by any person or entity for the benefit of such Corporate  
12 Defendant or Individual Defendant; or (c) under the direct or indirect control of  
13 such Corporate Defendant or Individual Defendant.

#### 14 **IX. FOREIGN ASSET REPATRIATION**

15 **IT IS FURTHER ORDERED** that, to the extent not already done under  
16 the TRO issued by this Court on January 25, 2004, within five (5) business days  
17 following the entry of this Order, each Corporate Defendant and Individual  
18 Defendant shall:

19 1. Provide the Commission and the Receiver with a full accounting of all  
20 funds, documents, and assets outside of the United States which are: (1) titled in  
21 the name, individually or jointly, of any Corporate Defendant or Individual  
22 Defendant; or (2) held by any person or entity for the benefit of any Corporate  
23 Defendant or Individual Defendant; or (3) under the direct or indirect control,  
24 whether jointly or singly, of any Corporate Defendant or Individual Defendant;

25 2. Transfer to the territory of the United States and deliver to the Receiver  
26 all funds, documents, and assets located in foreign countries that are: (1) titled in  
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1 the name individually or jointly of any defendant; or (2) held by any person or  
2 entity, for the benefit of any defendant; or (3) under any Defendant's direct or  
3 indirect control, whether jointly or singly;

4 3. Provide the Commission access to all records of accounts or assets of the  
5 Corporate Defendant and Individual Defendant held by financial institutions  
6 located outside the territorial United States by signing the Consent to Release of  
7 Financial Records attached to this Order as Attachment C.

8 **X. INTERFERENCE WITH FOREIGN ASSET REPATRIATION**

9 **IT IS FURTHER ORDERED** that the Defendants are hereby restrained  
10 and enjoined from taking any action, directly or indirectly, which may result in the  
11 encumbrance or dissipation of foreign assets, or in the hindrance of the  
12 repatriation required by this Order, or any previous orders of the Court, including  
13 the TRO, including but not limited to:

14 1. Sending any statement, letter, fax, e-mail or wire transmission,  
15 telephoning or engaging in any other act, directly or indirectly, that results in a  
16 determination by a foreign trustee or other entity that a "duress" event has  
17 occurred under the terms of a foreign trust agreement until such time that all assets  
18 have been fully repatriated pursuant to Section IX of this Order; and

19 2. Notifying any trustee, protector or other agent of any foreign trust or  
20 other related entities of either the existence of this Order, or of the fact that  
21 repatriation is required pursuant to a Court Order, until such time that all assets  
22 have been fully repatriated pursuant to Section IX of this Order.

23 **XI. APPOINTMENT OF PERMANENT RECEIVER**

24 **IT IS FURTHER ORDERED** that Robb Evans and Associates is  
25 appointed as Receiver for the Receivership Defendants. The Receiver shall be the  
26 agent of this Court, and solely the agent of this Court, in acting as Receiver under  
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1 this Order. The Receiver shall be accountable directly to this Court.

## 2 XII. RECEIVER'S DUTIES

3 **IT IS FURTHER ORDERED** that the Receiver is authorized and directed  
4 to accomplish the following:

5 1. Assume full control of the Receivership Defendants by removing, as the  
6 Receiver deems necessary or advisable, any director, officer, independent  
7 contractor, employee, or agent of any of the Receivership Defendants, including  
8 any Defendant, from control of, management of, or participation in, the affairs of  
9 the Receivership Defendants;

10 2. Take exclusive custody, control, and possession of all assets and  
11 documents of, or in the possession, custody, or under the control of, the  
12 Receivership Defendants, wherever situated. The Receiver shall have full power  
13 to divert mail and to sue for, collect, receive, take in possession, hold, and manage  
14 all assets and documents of the Receivership Defendants and other persons or  
15 entities whose interests are now under the direction, possession, custody, or  
16 control of, the Receivership Defendants. The Receiver shall assume control over  
17 the income and profits therefrom and all sums of money now or hereafter due or  
18 owing to the Receivership Defendants. *Provided, however,* that the Receiver shall  
19 not attempt to collect any amount from a consumer if the Receiver believes the  
20 consumer was a victim of the unfair or deceptive acts or practices or other  
21 violations of law alleged in the Complaint in this matter, without prior Court  
22 approval;

23 3. Take all steps necessary to secure each location from which the  
24 Receivership Defendants operate their business. Such steps may include, but are  
25 not limited to, any of the following, as the Receiver deems necessary or advisable:  
26 a) serving this Order; b) completing a written inventory of all receivership assets;

1 c) obtaining pertinent information from all employees and other agents of the  
2 Receivership Defendants, including, but not limited to, the name, home address,  
3 social security number, job description, passwords or access codes, method of  
4 compensation, and all accrued and unpaid commissions and compensation of each  
5 such employee or agent; d) photographing and video taping any or all portions of  
6 the location; e) securing the location by changing the locks and disconnecting any  
7 computer modems or other means of access to the computer or other records  
8 maintained at that location; and f) requiring any persons present on the premises at  
9 the time this Order is served to leave the premises, to provide the Receiver with  
10 proof of identification, or to demonstrate to the satisfaction of the Receiver that  
11 such persons are not removing from the premises documents or assets of the  
12 Receivership Defendants. Law enforcement personnel, including, but not limited  
13 to, police or sheriffs, may assist the Receiver in implementing these provisions in  
14 order to keep the peace and maintain security. If requested by the Receiver, the  
15 United States Marshall will provide appropriate and necessary assistance to the  
16 Receiver to implement this Order;

17 4. Conserve, hold, and manage all assets of the Receivership Defendants,  
18 and perform all acts necessary or advisable to preserve the value of those assets in  
19 order to prevent any irreparable loss, damage, or injury to consumers or creditors  
20 of the Receivership Defendants, including, but not limited to, obtaining an  
21 accounting of the assets and preventing the unauthorized transfer, withdrawal, or  
22 misapplication of assets;

23 5. Enter into contracts and purchase insurance as advisable or necessary;

24 6. Prevent the inequitable distribution of assets and determine, adjust, and  
25 protect the interests of consumers and creditors who have transacted business with  
26 the Receivership Defendants;





1 as Receiver, or against the Receivership Defendants, as the Receiver deems  
2 necessary and advisable to preserve the assets of the Receivership Defendants, or  
3 as the Receiver deems necessary and advisable to carry out the Receiver's mandate  
4 under this Order, including any actions or proceedings against consumers who  
5 pursue Defendants' business ventures;

6 13. Issue subpoenas to obtain documents and records pertaining to the  
7 receivership, and conduct discovery in this action on behalf of the receivership  
8 estate;

9 14. Open one or more bank accounts as designated depositories for funds of  
10 the Receivership Defendants. The Receiver shall deposit all funds of the  
11 Receivership Defendants in such a designated account and shall make all  
12 payments and disbursements from the receivership estate from such an account.  
13 The Receiver shall serve copies of monthly account statements on all parties;

14 15. Maintain accurate records of all receipts and expenditures that he makes  
15 as Receiver; and

16 16. Cooperate with reasonable requests for information or assistance from  
17 any state or federal law enforcement agency;

18 17. Liquidate all assets of the Receivership Defendants and hold such  
19 assets pending further Order of the Court;

20 18. Vacate the business premises occupied by the Receivership Defendants  
21 and consolidate all records and other assets by moving assets and records currently  
22 located outside of this district to a secure facility maintained within this District;  
23 and

24 19. Make periodic reports, observations, and recommendations to this  
25 Court, upon reasonable notice to the parties, and seek guidance and instructions  
26 from this Court, if the Receiver deems it necessary. Such reports may include the  
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1 following information regarding the Defendants: a) a description of the business  
2 and of the Individual Defendants' roles in the business; b) an enumeration and/or  
3 detailed description of revenues and expenditures; c) identification of all earnings  
4 claims made in the course of offering for sale Defendants' business ventures,  
5 including franchises; d) any substantiation of such earnings claims; e) the number  
6 of purchasers of Defendants' business ventures, including franchises, and the  
7 amount they paid for Defendants' business venture; and f) any additional  
8 information that the Receiver deems useful to the Court.

9 **XIII. TRANSFER OF RECEIVERSHIP PROPERTY TO RECEIVER**

10 **IT IS FURTHER ORDERED** that Defendants and any other person or  
11 entity with possession, custody or control of property of or records relating to the  
12 Receivership Defendants shall, upon notice of this order by personal service or  
13 otherwise, immediately notify the Receiver of, and immediately upon receiving a  
14 request from the Receiver, immediately transfer or deliver to the Receiver  
15 possession, custody, and control of, the following:

16 1. All assets of the Receivership Defendants;

17 2. All documents of the Receivership Defendants, including, but not limited  
18 to, books and records of accounts, all financial and accounting records, balance  
19 sheets, income statements, bank records (including monthly statements, canceled  
20 checks, records of wire transfers, and check registers), client lists, title documents  
21 and other papers;

22 3. All computers and data in whatever form used to conduct the business of  
23 the Receivership Defendants;

24 4. All assets belonging to other persons or entities whose interests are now  
25 under the direction, possession, custody, or control of, the Receivership  
26 Defendants; and

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1 5. All keys, codes, and passwords necessary to gain or to secure access to  
2 any assets or documents of the Receivership Defendants, including, but not limited  
3 to, access to their business premises, means of communication, accounts, computer  
4 systems, or other property.

5 In the event that any person or entity fails to deliver or transfer any asset or  
6 otherwise fails to comply with any provision of this Paragraph, the Receiver may  
7 file *ex parte* an Affidavit of Non-Compliance regarding the failure. Upon filing of  
8 the affidavit, the Court may authorize, without additional process or demand,  
9 Writs of Possession or Sequestration or other equitable writs requested by the  
10 Receiver. The writs shall authorize and direct the United States Marshal or any  
11 sheriff or deputy sheriff of any county, or any other federal or state law  
12 enforcement officer, to seize the asset, document, or any other item covered by this  
13 Section, and to deliver it to the Receiver.

14 **XIV. PROVISION OF INFORMATION TO RECEIVER**

15 **IT IS FURTHER ORDERED** that Defendants shall provide to the  
16 Receiver, immediately upon request, the following:

- 17 1. A list of all assets and property, including accounts, of the Receivership  
18 Defendants that are held in any name other than the name of a Receivership  
19 Defendant, or by any person or entity other than a Receivership Defendant; and
- 20 2. A list of all agents, employees, officers, servants, or those persons in  
21 active concert and participation with the Individual Defendants and Receivership  
22 Defendants, who have been associated or done business with the Receivership  
23 Defendants.

24 **XV. COOPERATION WITH THE RECEIVER**

25 **IT IS FURTHER ORDERED** that Defendants and all other persons or  
26 entities served with a copy of this Order shall fully cooperate with and assist the  
27

1 Receiver in taking and maintaining possession, custody, or control of the assets of  
2 the Receivership Defendants. This cooperation and assistance shall include, but  
3 not be limited to: providing information to the Receiver that the Receiver deems  
4 necessary in order to exercise the authority and discharge the responsibilities of  
5 the Receiver under this Order; providing any password required to access any  
6 computer, electronic file, or telephonic data in any medium; advising all persons  
7 who owe money to the Receivership Defendants that all debts should be paid  
8 directly to the Receiver; transferring funds at the Receiver's direction; and  
9 producing records related to the assets and sales of the Receivership Defendants.  
10 The entities obligated to cooperate with the Receiver under this provision include,  
11 but are not limited to, banks, broker-dealers, savings and loans, escrow agents,  
12 title companies, commodity trading companies, precious metals dealers and other  
13 financial institutions and depositories of any kind, and all third-party billing  
14 agents, common carriers, and other telecommunications companies, that have  
15 transacted business with the Receivership Defendants.

16 **XVI. INTERFERENCE WITH THE RECEIVER**

17 **IT IS FURTHER ORDERED** that Defendants are hereby restrained and  
18 enjoined from directly or indirectly:

- 19 1. Interfering with the Receiver managing, or taking custody, control, or  
20 possession of, the assets or documents subject to this receivership;
- 21 2. Transacting any of the business of the Receivership Defendants;
- 22 3. Transferring, receiving, altering, selling, encumbering, pledging,  
23 assigning, liquidating, or otherwise disposing of any assets owned, controlled, or  
24 in the possession or custody of, or in which an interest is held or claimed by, the  
25 Receivership Defendants, or the Receiver; and
- 26 4. Refusing to cooperate with the Receiver or the Receiver's duly  
27

1 authorized agents in the exercise of their duties or authority under any order of this  
2 Court.

3 **XVII. STAY OF ACTIONS AGAINST RECEIVERSHIP DEFENDANTS**

4 **IT IS FURTHER ORDERED** that, except by leave of this Court, during  
5 pendency of the receivership ordered herein, Defendants, and all investors,  
6 creditors, stockholders, lessors, customers and other persons seeking to establish  
7 or enforce any claim, right, or interest against or on behalf of Defendants, and all  
8 others acting for or on behalf of such persons, are hereby enjoined from taking  
9 action that would interfere with the exclusive jurisdiction of this Court over the  
10 assets or documents of the Receivership Defendants, including, but not limited to:

- 11 1. Petitioning, or assisting in the filing of a petition, that would cause any  
12 Receivership Defendant to be placed in bankruptcy;
- 13 2. Commencing, prosecuting, or continuing a judicial, administrative, or  
14 other action or proceeding against the Receivership Defendants, including the  
15 issuance or employment of process against the Receivership Defendants, *except*  
16 that such actions may be commenced if necessary to toll any applicable statute of  
17 limitations;
- 18 3. Filing or enforcing any lien on any asset of the Receivership Defendants,  
19 taking or attempting to take possession, custody, or control of any asset of the  
20 Receivership Defendants; or attempting to foreclose, forfeit, alter, or terminate any  
21 interest in any asset of the Receivership Defendants, whether such acts are part of  
22 a judicial proceeding, are acts of self-help, or otherwise;
- 23 4. Initiating any other process or proceeding that would interfere with the  
24 Receiver managing or taking custody, control, or possession of, the assets or  
25 documents subject to this receivership.

26 *Provided that*, this Order does not stay: (i) the commencement or  
27

1 continuation of a criminal action or proceeding; (ii) the commencement or  
2 continuation of an action or proceeding by a governmental unit to enforce such  
3 governmental unit's police or regulatory power; or (iii) the enforcement of a  
4 judgment, other than a money judgment, obtained in an action or proceeding by a  
5 governmental unit to enforce such governmental unit's police or regulatory power.

#### 6 **XVIII. COMPENSATION OF RECEIVER**

7 **IT IS FURTHER ORDERED** that the Receiver and all personnel hired by  
8 the Receiver as herein authorized, including counsel to the Receiver and  
9 accountants, are entitled to reasonable compensation for the performance of duties  
10 pursuant to this Order and for the cost of actual out-of-pocket expenses incurred  
11 by them, from the assets now held by, in the possession or control of, or which  
12 may be received by, the Receivership Defendants. The Receiver shall file with the  
13 Court and serve on the parties periodic requests for the payment of such  
14 reasonable compensation, with the first such request filed no more than sixty (60)  
15 days after the date of entry of this Order. The Receiver shall not increase the  
16 hourly rates used as the bases for such fee applications without prior approval of  
17 the Court.

#### 18 **XIX. RECEIVER'S BOND**

19 **IT IS FURTHER ORDERED** that the Receiver shall maintain with the  
20 Clerk of this Court a bond in the sum of \$12,500 with sureties to be approved by  
21 the Court, conditioned that the Receiver will well and truly perform the duties of  
22 the office and abide by and perform all acts the Court directs.

#### 23 **XX. ACCESS TO BUSINESS OFFICES AND RECORDS**

24 **IT IS FURTHER ORDERED** that the Receiver and the Defendants shall  
25 allow representatives of the Commission reasonable access to all premises within  
26 the scope of this Order and to all premises where any of Defendants' business  
27

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1 records may be located, so that representatives of the Commission may inspect all  
2 documents of the Defendants and may copy such documents either on or off the  
3 premises. *Provided that* if the FTC removes documents from the premises  
4 pursuant to this Section, the originals of the documents shall be returned within  
5 twenty-four (24) hours of this removal.

6 Furthermore, the Receiver shall allow the Defendants reasonable access to  
7 the business records of the Receivership Defendants within his possession for the  
8 purpose of inspecting and copying materials relevant to this action. The Receiver  
9 shall have the discretion to determine the time, manner, and reasonable conditions  
10 of such access.

11 **XXI. EXPEDITED DISCOVERY**

12 **IT IS FURTHER ORDERED** that, pursuant to Fed. R. Civ. P. 26(d),  
13 discovery may commence at any time after the entry of this Order.

14 **XXII. SERVICE BY FACSIMILE AUTHORIZED**

15 **IT IS FURTHER ORDERED** that copies of this Order may be served by  
16 any means, including facsimile transmission, upon any financial institution or  
17 other entity or person that may have possession, custody, or control of any  
18 documents or assets of any Corporate Defendant or Individual Defendant, or that  
19 may otherwise be subject to any provision of this Order. Service upon any branch  
20 or office of any financial institution shall effect service upon the entire financial  
21 institution.

22 **XXIII. DEFENDANTS' DUTY TO DISTRIBUTE ORDER**

23 **IT IS FURTHER ORDERED** that the Corporate Defendants and the  
24 Individual Defendants shall immediately provide a copy of this Order to each  
25 affiliate, subsidiary, division, sales entity, successor, assign, officer, director,  
26 employee, independent contractor, client company, agent, attorney, spouse and  
27

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1 representative of Defendants, and shall, within ten (10) days from the date of entry  
2 of this Order, provide the Commission with a sworn statement that: (a) confirms  
3 that Defendants have provided copies of the Order as required by this paragraph;  
4 and (b) lists the names and addresses of each entity or person to whom Defendants  
5 provided a copy of the Order. Furthermore, the Corporate Defendants and  
6 Individual Defendants shall not take any action that would encourage officers,  
7 agents, directors, employees, salespersons, independent contractors, attorneys,  
8 subsidiaries, affiliates, successors, assigns or other persons or entities in active  
9 concert or participation with Defendants to disregard this Order or believe that  
10 they are not bound by its provisions.


11 **XXIV. SERVICE UPON PLAINTIFF**

12 **IT IS FURTHER ORDERED** that Defendants shall serve all pleadings,  
13 memoranda, correspondence, affidavits, declarations, or other documents related  
14 to this case by facsimile transmission to (202) 326-3395, by hand delivery to the  
15 offices of the Federal Trade Commission, at 600 Pennsylvania Ave., NW, Room  
16 H-238, Washington, DC 20580, and addressed to the attention of Laura Kim, or by  
17 overnight shipment through a third-party commercial carrier for delivery at this  
18 address.

19 **XXV. RETENTION OF JURISDICTION**

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

22  
23 **SO ORDERED**, this 22<sup>nd</sup> day of February, at 12:15 p.m., Pacific  
24 Standard Time.

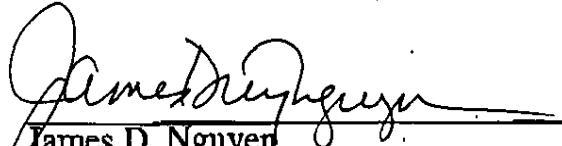
25  
26   
27 \_\_\_\_\_  
28 United States District Judge



1 **STIPULATED BY:**

2  
3 

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5 David R. Spiegel (N.Y. Bar #1592724)  
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Date: February 17, 2005

9 Kenneth Abbe (CA Bar #172416)  
10 Federal Trade Commission  
11 Western Region  
12 10877 Wilshire Blvd., Ste. 700  
13 Los Angeles, CA 90024  
14 Telephone (310) 824-4318  
15 Facsimile (310) 824-4380

16 Date: February 17, 2005