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UNITED STATES DISTRICT COURT FOR THE
CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION

ORIGINAL

LODGED
CLERK, U.S. DISTRICT COURT
FEB 1 2 2007
CENTRAL DISTRICT OF CALIFORNIA
DEPUTY

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

WORLD TRADERS ASSOCIATION,
INC., et al

Defendants.

CASE NO. CV 05-591 AHM (CTx)

[Proposed]
STIPULATED JUDGMENT
AND ORDER FOR PERMANENT
INJUNCTION AS TO
DEFENDANT JENNIFER
KLOTTHOR

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FILED
CLERK, U.S. DISTRICT COURT
FEB 4 2007
CENTRAL DISTRICT OF CALIFORNIA
BY

This matter comes before the Court on a stipulation of Plaintiff Federal Trade Commission ("Commission" or "FTC") and Defendant Jennifer Klotthor ("Defendant").

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. The Commission charged that Defendant Jennifer Klotthor engaged with other named defendants in deceptive acts or practices in violation of Section 5 of the FTC Act, 15 U.S.C. § 45(a), and the Commission's Rule entitled Disclosure Requirements and Prohibitions Concerning Franchise and Business Opportunity Ventures (the "Franchise Rule"), 16 C.F.R. Part 436, in the marketing and sale of an alleged business opportunity to become an affiliate in a network of brokers selling surplus goods. On January 25, 2005 – the same day the Complaint was filed – the Court issued a temporary restraining order with an asset freeze, appointment of a Receiver, and other ancillary equitable relief ("TRO"). On February 22, 2005, upon stipulation of the parties, the Court entered a preliminary injunction. In addition to continuing the

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1 relief in the TRO, the preliminary injunction contained a ban against Defendant's
2 involvement with business ventures involving the sale or purchase of discounted
3 or surplus goods. On April 6, 2005, the FTC filed an Amended Complaint adding
4 additional defendants.

5 The Commission and Defendant Jennifer Klotthor hereby stipulate to the
6 entry of, and request the Court to enter, this Stipulated Judgment and Order for
7 Permanent Injunction ("Final Order") to resolve all matters of dispute between
8 them in this action.

9 **IT IS THEREFORE STIPULATED, AGREED, AND ORDERED** as
10 follows:

11 1. This Court has jurisdiction over the subject matter of this case and
12 jurisdiction over the Defendant.

13 2. Venue in this District is proper under 15 U.S.C. § 53(b) and 28
14 U.S.C. § 1391(b).

15 3. The activities of Defendant are in or affecting commerce, as defined
16 in Section 4 of the FTC Act, 15 U.S.C. § 44.

17 4. The Amended Complaint states a claim upon which relief may be
18 granted against Defendant under Sections 5(a), 13(b), and 19 of the FTC Act, 15
19 U.S.C. §§ 45(a), 53(b), and 57b, and the Franchise Rule, 16 C.F.R. Part 436.

20 5. Defendant has entered into this Final Order freely and without
21 coercion. Defendant further acknowledges that she has read the provisions of this
22 Final Order and is prepared to abide by them.

23 6. The Plaintiff and Defendant have agreed that the entry of this Final
24 Order resolves all matters of dispute between them arising from the Amended
25 Complaint in this action, up to the date of entry of this Final Order.

26 7. Defendant waives all rights to seek appellate review or otherwise
27 challenge or contest the validity of this Final Order. Defendant further waives and
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1 releases any claim she may have against the Commission, its employees,
2 representatives, or agents.

3 8. Defendant agrees that this Final Order does not entitle Defendant to
4 seek or to obtain attorneys' fees as a prevailing party under the Equal Access to
5 Justice Act, 28 U.S.C. § 2412, as amended by Pub. L. 104-121, 110 Stat. 847, 863-
6 864 (1996), and Defendant further waives any rights to attorneys' fees that may
7 arise under said provision of law.

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

10 10. This Final Order is for settlement purposes only and does not
11 constitute an admission by Defendant that the law has been violated as alleged in
12 the Amended Complaint, or that the facts as alleged in the Amended Complaint,
13 other than jurisdictional facts, are true.

14 **DEFINITIONS**

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

21 2. "Business venture" means any written or oral business arrangement,
22 however denominated, regardless of whether covered by the Franchise Rule,
23 which consists of the payment of any consideration in exchange for:

24 a. The right or means to offer, sell, or distribute goods or services
25 (regardless of whether identified by a trademark, service mark, trade name,
26 advertising, or other commercial symbol); and

27 b. More than nominal assistance to any person or entity in
28 connection with or incident to the establishment, maintenance, or operation of a

1 new business or the entry by an existing business into a new line or type of
2 business;

3 3. "Franchise Rule" means the FTC Trade Regulation Rule entitled
4 "Disclosure Requirements and Prohibitions Concerning Franchising and Business
5 Opportunity Ventures," 16 C.F.R. Part 436, as promulgated or as the Rule may
6 hereinafter be amended or superseded by any future trade regulation rule or rules,
7 in whole or in part;

8 4. "Defendant" means Jennifer Lynn Klotthor;

9 5. "Document" is synonymous in meaning and equal in scope to the
10 usage of the term in Fed. R. Civ. P. 34(a), and includes writings, drawings, graphs,
11 charts, photographs, audio and video recordings, computer records, and other data
12 compilations from which information can be obtained and translated, if necessary,
13 through detection devices into reasonably usable form. A draft or non-identical
14 copy is a separate document within the meaning of the term."

15 6. "Receiver" shall mean Robb Evans and Associates, the Receiver
16 appointed by the Court in this matter over Receivership Defendants.

17 **ORDER**

18 **I. BAN AGAINST INVOLVEMENT BY DEFENDANT IN THE OFFER OR
19 SALE OF A BUSINESS VENTURE**

20 **IT IS THEREFORE ORDERED** that Defendant is hereby permanently
21 restrained and enjoined from:

22 A. Advertising, marketing, promoting, offering for sale, or selling any
23 business venture to any person;

24 B. Receiving any remuneration or other consideration of any kind
25 whatsoever as a result of engaging or assisting in the advertising, marketing,
26 promoting, offering for sale, or selling of any business venture;

27 C. Holding any ownership interest, share, or stock in any business entity
28 which engages in or assists in the advertising, marketing, promoting, offering for
sale, or selling of any business venture; and

1 D. Serving as an employee, officer, director, trustee, general manager, or
2 consultant, or advisor in a position with duties or responsibilities that require
3 engaging or assisting in the advertising, marketing, promoting, offering for sale, or
4 selling of any business venture.

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

7 **IT IS FURTHER ORDERED** that, in connection with the offering for sale
8 or sale of any good or service, Defendant, and her officers, agents, servants,
9 employees, attorneys, and those persons in active concert or participation with her
10 who receive actual notice of this Order by personal service or otherwise, are
11 hereby permanently restrained and enjoined from:

12 A. Misrepresenting, directly or by implication, orally or in writing, to
13 any potential purchaser of goods or services, any material fact, including, but not
14 limited to:

- 15 1. The total cost to purchase, receive, or use, and the quantity of,
16 any goods or services that are subject to the sales offer;
- 17 2. Any material restrictions, limitations, or conditions to purchase,
18 receive, or use the goods or services;
- 19 3. Any material aspect of the nature or terms of a refund,
20 cancellation, exchange or repurchase policy for the goods or services; or
- 21 4. The income, profits, or sales volume likely to be achieved from
22 the goods or services.

23 B. Providing substantial assistance to any third party to make any
24 material misrepresentation, including, but not limited to, those misrepresentations
25 prohibited by Paragraph II (A), above.
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1 financial condition, then the Court shall lift any suspension of the judgment and
2 direct the Clerk to enter judgment against Defendant and in favor of the
3 Commission for the full amount of \$12,075,572 immediately due and payable,
4 together with interest computed at the rate prescribed under 28 U.S.C. § 1961, as
5 amended, less the sum of any payments previously made pursuant to this Final
6 Order.

7 C. Any proceedings instituted under this Section IV are in addition to,
8 and not in lieu of, any other civil or criminal remedies as may be provided by law,
9 including any other proceedings that the FTC may initiate to enforce this Final
10 Order.

11 D. Any and all funds paid pursuant to this Order, including this Section
12 IV, shall be deposited into a fund administered by the Commission or its agent to
13 be used for equitable relief, including, but not limited to, consumer redress and
14 any attendant expenses for the administration of any redress fund. In the event

15 that redress to purchasers is wholly or partially impracticable, or any funds remain
16 after redress is completed, the Commission may apply any remaining funds to such
17 other equitable relief (including consumer information remedies) as it determines
18 to be reasonably related to Defendant's practices alleged in the Amended
19 Complaint. Any funds not used for such equitable relief shall be deposited in the
20 United States Treasury as disgorgement. Defendant shall have no right to contest
21 the manner of distribution chosen by the Commission. The Commission in its sole
22 discretion may use a designated agent to administer consumer redress.

23 V. ACKNOWLEDGMENT OF RECEIPT OF ORDER

24 **IT IS FURTHER ORDERED** that, within ten (10) business days of receipt
25 of this Final Order as entered by the Court, Defendant must submit to the
26 Commission a truthful sworn statement acknowledging receipt of this Final Order.

1 **VI. DISTRIBUTION OF ORDER BY DEFENDANT**

2 **IT IS FURTHER ORDERED** that, for a period of three (3) years from the
3 date of entry of this Final Order, Defendant shall deliver copies of this Final Order
4 as directed below:

5 **A. Defendant as Control Person:** For any business that Defendant
6 controls, directly or indirectly, or in which she has a majority ownership interest,
7 Defendant must deliver a copy of this Final Order to all principals, officers,
8 directors and managers of that business. Defendant must also deliver copies of
9 this Final Order to all employees, agents and representatives of that business who
10 engage in the offer or sale of income-producing or investment-related goods or
11 services. For current personnel, delivery shall be within five (5) days of service of
12 this Final Order upon Defendant. For new personnel, delivery shall occur prior to
13 their assumption of their responsibilities;

14 **B. Defendant as Employee or Non-Control Person:** For any business
15 where Defendant is not a controlling person of the business, but for which she
16 otherwise engages in the offer or sale of income-producing or investment-related
17 goods or services, Defendant must deliver a copy of this Final Order to all
18 principals and managers of such business before engaging in such conduct; and

19 **C.** Defendant must secure a signed and dated statement acknowledging
20 receipt of the Final Order within thirty (30) days of delivery, from all persons
21 receiving a copy of the Final Order pursuant to this Paragraph VI.

22 **VII. COMPLIANCE REPORTING BY DEFENDANT**

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

25 **A.** For a period of three (3) years from the date of entry of this Final
26 Order, Defendant shall notify the Commission in writing of the following:

27 1. Any changes in Defendant's residences, mailing addresses and
28 telephone numbers, within thirty (30) days of the date of such change;

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1 2. Any changes in Defendant's employment status (including self-
2 employment), within thirty (30) days of such change. Such notice shall include
3 the name and address of each business that Defendant is affiliated with, employed
4 by, or performs services for; a statement of the nature of the business; and a
5 statement of Defendant's duties and responsibilities in connection with the
6 business;

7 3. Any changes in Defendant's name, and any aliases or fictitious
8 names adopted or used by Defendant; and

9 4. Any changes in the corporate structure of any business entity
10 that Defendant directly or indirectly controls or has a majority ownership interest
11 in, that may affect compliance obligations arising under this Final Order,
12 including, but not limited to, a dissolution, assignment, sale, merger, or other
13 action that would result in the emergence of a successor corporation; the creation
14 or dissolution of a subsidiary, parent, or affiliate that engages in any acts or
15 practices subject to this Final Order; the filing of a bankruptcy petition; or a
16 change in the corporate name or address, at least thirty (30) days prior to such
17 change, *provided, however*, that with respect to any proposed change in the
18 corporation about which Defendant learns less than thirty (30) days prior to the
19 date such action is to take place, Defendant shall notify the Commission as soon as
20 is practicable after obtaining such knowledge.

21 B. One hundred and eighty (180) days after the date of entry of this Final
22 Order, and each year thereafter on the same date, through and including calendar
23 year 2010, Defendant shall provide a written report to the FTC, sworn to under
24 penalty of perjury, setting forth in detail the manner and form in which she has
25 complied and is complying with this Final Order. This report shall include, but
26 not be limited to:

27 1. The then-current residence addresses, mailing addresses, and
28 telephone numbers of Defendant;

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