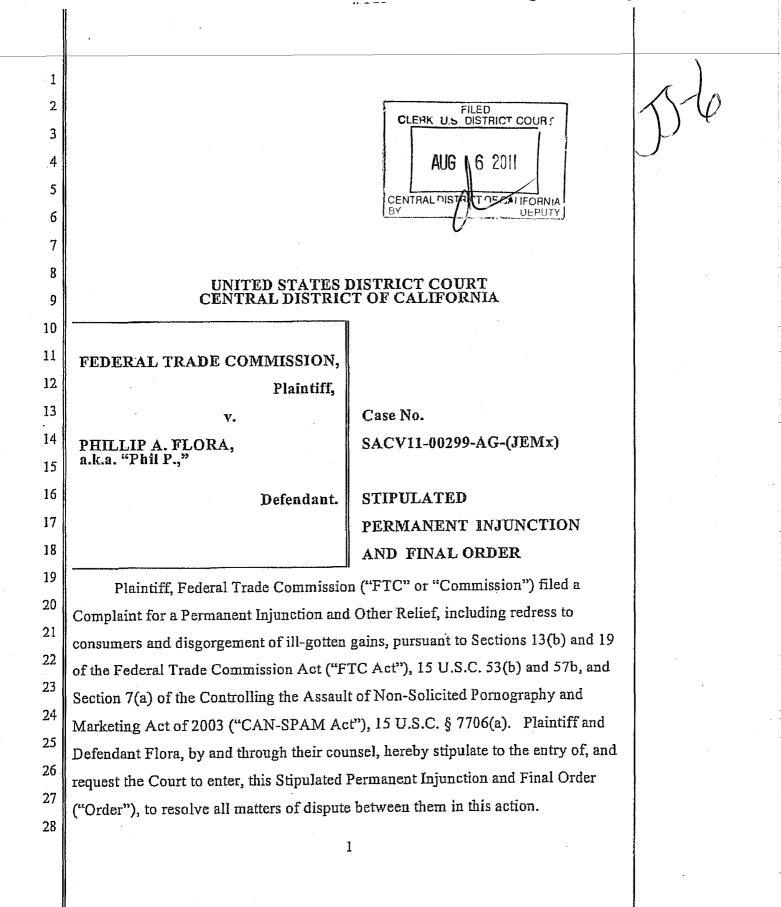
## Case 8:11-cv-00299-AG -JEM Document 28 Filed 08/16/11 Page 1 of 18 Page ID #:370



IT IS HEREBY STIPULATED, AGREED, AND ORDERED as follows:

Case 8:11-cv-00299-AG \_JEM \_ Document 28 Filed 08/16/11 Page 2 of 18 Page ID #:371

1. This is an action by the Commission instituted under Sections
 13(b) and 19 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b, and the CAN-SPAM
 Act, 15 U.S.C. § 7706(a). The Commission has authority to seek the relief
 contained herein;

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6 2. The Commission's Complaint states a claim upon which relief may be
7 granted under Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and Section 7(a) of
8 the CAN-SPAM Act, 15 U.S.C. § 7706(a);

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 3. This Court has subject matter jurisdiction pursuant to

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 28 U.S.C. §§ 1331, 1337(a), and 1345, and 15 U.S.C. §§ 45(a), 53(b), and 7701;

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 4. Venue is proper in this district under 28 U.S.C. § 1391(b) and

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 15 U.S.C. § 53(b);

5. The activities of Defendant Flora as alleged in the Commission's
Complaint are in or affecting commerce, as "commerce" is defined in Section 4 of
the FTC Act, 15 U.S.C. § 44;

16 6. Defendant Flora has entered into this Order freely and without
17 coercion, and Defendant Flora acknowledges that he has read the provisions of this
18 Order, understands them, and is prepared to abide by them;

7. Plaintiff and Defendant Flora, by and through their counsel, have
 agreed that the entry of this Order resolves all matters in dispute between them
 arising from the Complaint in this action, up to the date of entry of this Order;

8. This Order is for settlement purposes only, and does not constitute and
shall not be interpreted to constitute an admission by Defendant Flora or a finding
that the law has been violated as alleged in the Complaint, or the facts alleged in
the Complaint, other than the jurisdictional facts are true, except as explicitly
stipulated in Section V of this Order;

Defendant Flora waives all rights to seek appellate review or
 otherwise challenge or contest the validity of this Order. Defendant Flora further

## Case 8:11-cv-00299-AG\_-JEM\_ Document 28\_, Filed 08/16/11 Page 3 of 18 Page ID #:372

waives and releases any claim he may have against the Plaintiff, its employees,
 representatives, or agents concerning the prosecution of this action to the date of
 this Order;

4 10. Defendant Flora agrees that this Order does not entitle him to seek or
5 to obtain attorneys' fees as a prevailing party under the Equal Access to Justice
6 Act, 28 U.S.C. § 2412, concerning the prosecution of this action to the date of this
7 Order. Each settling party shall bear its own costs and attorneys fees; and

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

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#### ORDER

#### DEFINITIONS

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

#### GENERAL DEFINITIONS

14 1. "Asset" means any legal or equitable interest in, right to, or
 15 claim to, any real and personal property, wherever located.

2. "Defendant" means Phillip A. Flora, a/k/a "Phil P." and any entity
through which he does business.

3. "Document" is synonymous in meaning and equal in scope to the
 usage of the terms "document" and "electronically stored information" in Federal
 Rule of Civil Procedure 34(a), and includes writings, drawings, graphs, charts,
 photographs, sound recordings, images, and other data or data compilations from
 which information can be obtained or translated. A draft or non-identical copy is a
 separate Document within the meaning of the term.

4. "Material Fact" means any fact that is likely to affect a Person's
choice of, or conduct regarding, goods or services.

5. "Person" means a natural person, organization, or other legal entity,
including a corporation, partnership, proprietorship, association, cooperative, or
any other group or combination acting as an entity.

Case 8:11-cv-00299-AG -JEM Document 28 Filed 08/16/11 Page 4 of 18- Page ID #:373

6. "Plaintiff," "FTC," or "the Commission" means the Federal Trade
 Commission.

7. "Representatives" means any Person who:

a. is in active concert or participation with Defendant; and

 receives actual notice of this Order by personal service or otherwise.

8. "Unauthorized or Unsolicited Commercial Electronic Text
Message" means an unauthorized or unsolicited text message the primary purpose
of which is a commercial advertisement or promotion of a commercial product or
service (including the content on an Internet website operated for commercial
purposes).

12 9. The words "and" and "or" shall be understood to have both
13 conjunctive and disjunctive meanings.

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#### **CAN-SPAM ACT DEFINITIONS**

10. "Commercial Electronic Mail Message" means any electronic mail
message the primary purpose of which is the commercial advertisement or
promotion of a commercial product or service (including the content on an Internet
website operated for commercial purposes). 15 U.S.C. § 7702(2).

19 11. "Electronic Mail Address" means a destination, commonly
 20 expressed as a string of characters, consisting of a unique user name or mailbox
 21 (commonly referred to as the "local part") and a reference to an Internet domain
 22 (commonly referred to as the "domain part"), whether or not displayed, to which
 23 an Electronic Mail Message can be sent or delivered. 15 U.S.C. § 7702(5).

24 12. "Electronic Mail Message" (or "email") means a message sent to a
25 unique Electronic Mail Address. 15 U.S.C. § 7702(6).

13. "Initiate" or "Initiation," when used with respect to a Commercial
Electronic Mail Message, means to originate or transmit such message or to
Procure the origination or transmission of such message. 15 U.S.C. § 7702(9).

Case 8:11-cv-00299-AG -JEM Document 28 Filed 08/16/11 Page 5 of 18 Page ID #:374

14. "Procure" or "Procurement," when used with respect to the
 Initiation of a Commercial Electronic Mail Message, means intentionally to pay or
 provide other consideration to, or induce, another Person to Initiate such a message
 on one's behalf. 15 U.S.C. § 7702(12).

5 15. "Protected Computer" means a computer which is used in interstate
6 or foreign commerce or communication, including a computer located outside the
7 United States that is used in a manner that affects interstate or foreign commerce or
8 communication of the United States. 15 U.S.C. § 7702(13).

9 16. "Sender" means a Person who Initiates a Commercial Electronic Mail
10 Message and whose product, service, or Internet Web site is advertised or
11 promoted by the message. 15 U.S.C. § 7702(16).

#### CONDUCT PROHIBITIONS

#### 1.

15 IT IS HEREBY ORDERED that Defendant, whether acting directly or
16 through a trust, corporation, subsidiary, division, or other device, is hereby
17 permanently enjoined from sending, or assisting others in the sending of
18 Unauthorized or Unsolicited Commercial Electronic Text Messages to mobile
19 telephones or other wireless devices.

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IT IS FURTHER ORDERED that Defendant and his Representatives, 21 whether acting directly or through a trust, corporation, subsidiary, division, or 22 23 other device, are hereby permanently enjoined from making, or assisting others in 24 making, any false or misleading oral or written statement or representation of 25 Material Fact when advertising, promoting, or selling any good or service, 26 including, but not limited to any false or misleading statement or representation 27 that Defendant, his Representatives, or any other Person is affiliated or associated 28 with, under contract with, acting in partnership with, endorsed or approved by, or

Case 8:11-cv-00290-200 --- JEM Document 28 Filed 08/16/11 Page 6 of 18 Page ID #:375

otherwise connected to the United States government or any government agency, 1 2 unit, or department.

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#### III.

IT IS FURTHER ORDERED that Defendant and his Representatives, 4 5 whether acting directly or through a trust, corporation, subsidiary, division, or 6 other device, are hereby permanently enjoined from violating the CAN-SPAM Act. 15 U.S.C. §§ 7701-7713, including but not limited to, Initiating, Procuring, or 7 8 transmitting a Commercial Electronic Mail Message, or assisting others in the 9 Initiation, Procurement, or transmission of a Commercial Electronic Mail Message, 10 to a Protected Computer, that:

11 A. Does not include a clear and conspicuous notice of the recipient's 12 opportunity to decline to receive further Commercial Electronic Mail Messages 13 from the Sender at the recipient's Electronic Mail Address and describes the means 14 by which the recipient can decline to receive future Commercial Electronic Mail 15 Messages from the Sender; and

> В. Does not include the Sender's valid physical postal address.

#### **COOPERATION PROVISION**

#### IV.

19 IT IS FURTHER ORDERED that Defendant shall, in connection 20 with this action or any subsequent investigations related to, or associated with, the transactions or the occurrences that are the subject of the Plaintiff's Complaint, 21 22 cooperate in good faith with the Plaintiff and any other governmental agency or 23 entity, and appear at such places and times as the Plaintiff or any other 24 governmental agency or entity shall reasonably request, after written notice, for interviews, conferences, pretrial discovery, review of documents, and for such 25 other matters as may be reasonably requested by the Plaintiff or any other 26 27 governmental agency or entity. If requested in writing by the Plaintiff or any other 28 governmental agency or entity, Defendant shall appear and provide truthful

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Case 8:11-cv-00299-AG -JEME Pocument 28 Filed 08/16/11/Pase 7 of 18 Page ID #:376

1 testimony in any trial, deposition, or other proceeding related to, or associated 2 with, the transactions or the occurrences that are the subject of the Complaint, without the service of a subpoena upon him. 3

#### MONETARY RELIEF

#### V.

6 IT IS FURTHER ORDERED that judgment is hereby entered in favor of 7 the Commission and against Defendant in the amount of \$58,946.90, as 8 disgorgement; provided, however, subject to the provisions of Section VI below, 9 judgment shall be suspended upon Defendant's completion of the requirements stated in Subsections A & B of this Section. 10

Α. Within ten (10) days of the entry of this Order, Defendant shall pay 11 the Commission \$32,000 by wire transfer in accordance with directions provided 12 by counsel for the Commission. 13

14 Β. Defendant relinquishes all dominion, control, and title to the funds paid to the fullest extent permitted by law. Defendant shall make no claim to or 15 demand return of these funds, directly or indirectly, through counsel or otherwise. 16

C. Defendant agrees that the facts as alleged in the Complaint filed in 17 18 this action shall be taken as true without further proof in any bankruptcy case or subsequent civil litigation pursued by the Commission to enforce its rights to any 19 payment or money judgment pursuant to this Order, including but not limited to a 20 21 nondischargeability complaint in any bankruptcy case. Defendant further 22 stipulates and agrees that the facts alleged in the Complaint establish all elements necessary to sustain an action pursuant to, and that this Order shall have collateral 23 estoppel effect for purposes of, Section 523(a)(2)(A) of the Bankruptcy Code, 11 24 U.S.C. § 523(a)(2)(A). 25

26 D. In accordance with 31 U.S.C. § 7701, Defendant is hereby required, unless he has done so already, to furnish to the Commission his taxpayer 27 28 identification number (Social Security number), which shall be used for purposes of collecting and reporting on any delinquent amount arising out of Defendant's
 relationship with the government.

#### **RIGHT TO REOPEN**

Case-8:11-cv-00299-AG\_-JEM Document 28\_ Filed 08/16/11 Page 8 of 18 Page ID #:377

#### VI.

#### IT IS FURTHER ORDERED that:

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A. The Commission's agreement to and the Court's approval of this
Order are expressly premised upon the truthfulness, accuracy, and completeness of
Defendant's Financial Statements, all of which Defendant asserts are truthful,
accurate, and complete. Defendant and the Commission stipulate that Defendant's
Financial Statements provide the basis for the monetary judgment in Section V of
this Order and that the Commission has relied on the truthfulness, accuracy, and
completeness of Defendant's Financial Statements.

If, upon motion by the Commission, this Court finds that Defendant 13 Β. 14 has (1) materially misstated in Defendant's Financial Statements, the value of any asset, (2) made any material misrepresentation or omitted material information 15 16 concerning his financial condition by failing to disclose any asset that should have been disclosed in Defendant's Financial Statements, or (3) made any other material 17 misstatement or omission in Defendant's Financial Statements, the Court shall 18 19 terminate the suspension of the monetary judgment entered in Section V. The 20 Court, without further adjudication, shall enter a modified judgment holding the Defendant liable to the Commission in the amount of \$58,946.90 for disgorgement, 21 22 less any amounts turned over to the FTC pursuant to Section V of this Order. 23 Upon such reinstatement of the monetary judgment, the Court shall make an 24 express determination that the judgment shall become immediately due and payable by the Defendant and the Commission shall be entitled to interest 25 computed from the day of entry of this Order at the rate prescribed under 28 U.S.C. 26 § 1961, as amended, on the unpaid balance. The Commission shall be permitted to 27 execute on the judgment immediately after the suspension is lifted and engage in 28

1 discovery in aid of execution.

C. Defendant acknowledges and agrees that (1) this monetary judgment
is equitable monetary relief, solely remedial in nature, and not a fine, penalty,
punitive assessment, or forfeiture; (2) any proceedings instituted under this Section
would be in addition to, and not in lieu of, any other civil or criminal remedies as
may be provided by law, including any other proceedings that the FTC may initiate
to enforce this Order; and (3) all money paid to satisfy the monetary judgment is
irrevocably paid for purposes of settlement between the parties.

Case 8:11-cv-00299-AG ... JEM Document 28 Filed 08/16/11 Page 9-of-18 Page ID #:378

9 D. Should this Order be modified pursuant to this Section, this Order, in 10 all other respects, shall remain in full force and effect unless otherwise ordered by 11 the Court.

### PROHIBITION ON RELEASE OF CUSTOMER INFORMATION OR CUSTOMER LISTS

#### VII.

16 IT IS FURTHER ORDERED that Defendant and his Representatives,
17 whether acting directly or through a trust, corporation, subsidiary, division, or
18 other device, are hereby permanently restrained and enjoined from:

A. Selling, renting, leasing, transferring, or otherwise disclosing the
 name, address, telephone number, credit card number, bank account number,
 Electronic Mail Address, or other identifying information obtained from any
 Person who:

Provided the identifying information in response to any
 commercial electronic text message that was sent by Defendant or his
 Representatives prior to the date of this Order or any Commercial Electronic Mail
 Message that was sent, Initiated, Procured, or transmitted by Defendant or his
 Representatives prior to the date of this Order;

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Provided the identifying information prior to the date of this

Order via any website or web page that is owned, operated, controlled, or
 registered in whole or in part by Defendant or his Representatives, on behalf of
 Defendant or his Representatives, or for the benefit of Defendant and his
 Representatives; or

Case 8:11-cv-00299-AG JEM Document 28 Filed 08/16/11 Page 10 of 18 Page ID

3. Provided the identifying information prior to the date of this
 Order via any website or web page that was advertised in any commercial
 electronic text message that was sent by Defendant or his Representatives or
 Commercial Electronic Mail Message that was sent, Initiated, Procured, or
 transmitted by Defendant or his Representatives; and

B. Failing to dispose of such customer information in all forms in their
possession, custody, or control within thirty (30) days after entry of this Order.
Disposal shall be by means that protect against unauthorized access to the customer
information, such as by burning, pulverizing, or shredding any papers, and by
erasing or destroying any electronic media, to ensure that the customer information
cannot practicably be read or reconstructed.

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

### COMPLIANCE MONITORING VIII.

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

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A. Within ten (10) days of receipt of written notice from a representative
of the Commission, Defendant shall submit additional written reports, which are
true and accurate and sworn to under penalty of perjury; produce documents for
inspection and copying; appear for deposition; and provide entry during normal
business hours to any business location in Defendant's possession or direct or

Case 8:11-cv-00299-AG

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B. In addition, the Commission is authorized to use all other lawful
means, including but not limited to:

obtaining discovery from any person, without further leave of
 court, using the procedures prescribed by Fed. R. Civ. P. 30, 31, 33, 34, 36, 45, and
 69;

EM Document 28 Filed 08/16/11 Page 11 of 18 Page ID

7 2. having its representatives pose as consumers and suppliers to
8 the Defendant, his employees, or any other entity managed or controlled in whole
9 or in part by the Defendant, without the necessity of identification or prior notice;
10 and

Defendant shall permit representatives of the Commission to C. 11 interview any employer, consultant, independent contractor, representative, agent, 12 or employee who has agreed to such an interview, relating in any way to any 13 conduct subject to this Order. The person interviewed may have counsel present. 14 Provided however, that nothing in this Order shall limit the Commission's lawful 15 use of compulsory process, pursuant to Sections 9 and 20 of the FTC Act, 15 16 U.S.C. §§ 49, 57b-1, to obtain any documentary material, tangible things, 17 testimony, or information relevant to unfair or deceptive acts or practices in or 18 affecting commerce (within the meaning of 15 U.S.C. § 45(a)(1)). 19

#### COMPLIANCE REPORTING

#### IX.

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

A. For a period of five (5) years from the date of entry of this Order,

1. Defendant shall notify the Commission of the following:

Any changes in Defendant's residence, mailing
 addresses, and telephone numbers, within ten (10) days
 of the date of such change;

Case 8:11-cv-00299-AG JEW -Document 28 Filed 08/16/11 Page 12-of 18 Page ID

- Any changes in Defendant's employment status (including self-employment), and any change in Defendant's ownership in any business entity, 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, creates or

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forms, or performs services for; a detailed description of the nature of the business; and a detailed description of Defendant's duties and responsibilities in connection with the business or employment; and

Any changes in Defendant's name or use of any aliases or fictitious names within ten (10) days of the date of such change;

Defendant shall notify the Commission of any changes in 14 2. 15 structure of any business entity that Defendant directly or indirectly controls, or has an ownership interest in, that may affect compliance obligations arising under 16 17 this Order, including but not limited to: incorporation or other organization; a dissolution, assignment, sale, merger, or other action; the creation or dissolution of 18 19 a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Order; or a change in the business name or address, at least thirty (30) days prior to 20 such change, provided that, with respect to any such change in the business entity 21 about which Defendant learns less than thirty (30) days prior to the date such 22 23 action is to take place, Defendant shall notify the Commission as soon as is 24 practicable after obtaining such knowledge.

One hundred eighty (180) days after the date of entry of this Order 25 Β. and annually thereafter for a period of five (5) years, Defendant shall provide a 26 written report to the FTC, which is true and accurate and sworn to under penalty of 27 perjury, setting forth in detail the manner and form in which they have complied 28

Case 8:11-cy-00289-AG -JEM Document 28 Filed 08/16/11 Page 13 of 18 Page ID 1 and are complying with this Order. This report shall include, but not be limited to: 2 1. Defendant's then-current residence address, mailing addresses, and telephone numbers; 3 2. Defendant's then-current employment status (including self-4 5 employment), including the name, addresses, and telephone numbers of each 6 business that such Defendant is affiliated with, employed by, or performs services for; a detailed description of the nature of the business; and a detailed description 7 8 of such Defendant's duties and responsibilities in connection with the business or 9 employment; 10 Any other changes required to be reported under Subsection A 3. of this Section; and 11 A copy of each acknowledgment of receipt of this Order, 12 4. obtained pursuant to the Section titled "Distribution of Order." 13 C. Defendant shall notify the Commission of the filing of a bankruptcy 14 15 petition by Defendant within fifteen (15) days of filing. For the purposes of this Order, Defendant shall, unless otherwise 16 D. directed by the Commission's authorized representatives, send by overnight 17 courier (not the U.S. Postal Service) all reports and notifications to the 18 Commission that are required by this Order to: 19 20 Associate Director for Enforcement Bureau of Consumer Protection Federal Trade Commission 21 600 Pennsylvania Avenue, N.W. Washington, D.C. 20580 22 RE: FTC v. Flora. 23 Provided that, in lieu of overnight courier, Defendant may send such reports 24 or notifications by first-class mail, but only if Defendant contemporaneously sends 25 an electronic version of such report or notification to the Commission at 26 DEbrief@ftc.gov. 27 For purposes of the compliance reporting and monitoring required by E. 28 13

# Case 8:11-cv-00299-AG \_\_EM Document 28 Filed 08/16/11 Page 14 of 18 Page ID

this Order, the Commission is authorized to communicate directly with the
 Defendant.

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#### RECORDKEEPING

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5 IT IS FURTHER ORDERED that, for a period of eight (8) years from the
6 date of entry of this Order, Defendant is hereby restrained and enjoined from
7 failing to create and retain the following records for any business for which he is
8 the majority owner or directly or indirectly controls:

9 A. Accounting records that reflect the cost of goods or services sold,
10 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;

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

20 D. Complaints and refund requests (whether received directly or 21 indirectly, such as through a third party,) and any responses to those complaints or 22 requests;

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

F. All records and documents necessary to demonstrate full compliance
with each provision of this Order, including but not limited to, copies of
acknowledgments of receipt of this Order required by the Sections titled
"Distribution of Order" and "Acknowledgment of Receipt of Order" and all reports

## Case 8:11-cv-00299-AG -JEM Document 28 Filed 08/16/11 Page 15 of 18 Page ID

1 submitted to the FTC pursuant to the Section titled "Compliance Reporting."

#### **DISTRIBUTION OF ORDER**

#### XI.

5 IT IS FURTHER ORDERED that, for a period of five (5) years from the 6 date of entry of this Order, Defendant shall deliver copies of the Order as directed 7 below:

8 Α. Defendant as control person: For any business that Defendant controls, directly or indirectly, or in which Defendant has a majority ownership 9 interest, Defendant must deliver a copy of this Order to: (1) all principals, officers, 10 directors, and managers of that business; (2) all employees, agents, and 11 12 representatives of that business who engage in conduct related to the subject matter 13 of the Order; and (3) any business entity resulting from any change in structure set 14 forth in Subsection A.2 of the Section titled "Compliance Reporting." For current personnel, delivery shall be within five (5) days of service of this Order upon 15 Defendant. For new personnel, delivery shall occur prior to them assuming their 16 responsibilities. For any business entity resulting from any change in structure set 17 forth in Subsection A.2 of the Section titled "Compliance Reporting," delivery 18 19 shall be at least ten (10) days prior to the change in structure.

B. Defendant as employee or non-control person: For any business
where Defendant is not a controlling person of a business but otherwise engages in
conduct related to the subject matter of this Order, Defendant must deliver a copy
of this Order to all principals and managers of such business before engaging in
such conduct.

C. Defendant must secure a signed and dated statement acknowledging
receipt of the Order, within thirty (30) days of delivery, from all persons receiving
a copy of the Order pursuant to this Section.

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C	Case 8:11-cy-00299-AG -JEM -Document 28 Filed 08/16/11 Page 16 of 18 Page ID #:385
	ACKNOWLEDGMENT OF RECEIPT OF ORDER
2	XII.
3	IT IS FURTHER ORDERED that Defendant, within five (5) business days
4	of receipt of this Order as entered by the Court, must submit to the Commission a
5	truthful sworn statement acknowledging receipt of this Order.
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7	RETENTION OF JURISDICTION
8	XIII.
9	IT IS FURTHER ORDERED that this Court shall retain jurisdiction of
10	this matter for purposes of construction, modification, and enforcement of this
11	Order.
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13	THAT IN THAT IS A REAL PROPERTY OF THE PROPERT
14	IT IS SO ORDERED, this Are 12 Th day of AUG 2011, at
15	<u>2:20 pm</u> .
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21	Judge Andrew J. Guilford United States District Judge Central District of California
22	Central District of California
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## 1 The parties consent to the terms and conditions set forth above and consent to

2 entry of this Stipulated Permanent Injunction and Final Order at the Court's

convenience and without further notice to the parties.

Case 8:11-cv-00299-AG -JEM Document228

5 PLAINTIFF:

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6 In Dated: 7 Robert G. Schoshinski, DC # 429736 8 rschoshinski@ftc.gov Christine M. Todaro, OH # 0084976 9 Consume M. Fodaro, OH # 00849 ctodaro@ftc.gov Federal Trade Commission 600 Pennsylvania Avenue, N.W. Washington, DC 20580 (202) 326-3219 (Schoshinski) (202) 326-3711 (Todaro) (202) 326-3395 facsimile 10 11 12 13 Local Counsel Raymond McKown 14 rmckown@ftc.gov CA Bar No. 150975 15 Federal Trade Commission 10877 Wilshire Boulevard, Suite 700 16 Los Angeles, CA 90024 310-824-4325 17 310-824-4380 facsimile 18 Attorneys for Plaintiff FEDERAL TRADE COMMISSION 19 20 21 22 23 24 25 26 27

8/10/11

Filed 08/16/11 Page 17 of 18 Page ID

#### Case 8:11-cv-00299-AG\_JEM- Document 28 Filed 08/16/11- Rage 18 of 18 Page ID #:387

I DEFENDANT Dated: Phillip A. Flora 6/10/11 б Dated: Michael A. Thurman mthurman@loeb.com CA Bar No. 123303 Loeb & Loeb 10100 Santa Monica Boulevard, Suite 2200 Los Angeles, CA 90067 310-282-2122 310-919-3848 facsimile Attorney for Defendant <u>5</u>.