

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

06/02/2014

FEDERAL TRADE COMMISSION,

STATE OF NEW YORK, and

STATE OF FLORIDA,

Plaintiffs,

v.

THE TAX CLUB, INC., et al.,

Defendants, and

SANDRA C. SAVAGE,

Relief Defendant.

Case No. 13-CV-210 (JMF)

**STIPULATED FINAL JUDGMENT
AND ORDER FOR PERMANENT
INJUNCTION AND MONETARY
RELIEF AS TO DEFENDANT
EDWARD B. JOHNSON**

Plaintiffs Federal Trade Commission (“FTC” or “Commission”), and the State of New York and State of Florida, through their Attorneys General, filed their Complaint for Permanent Injunction and Other Equitable Relief, subsequently amended as First Amended Complaint for Permanent Injunction and Other Equitable Relief (“Amended Complaint”), for a permanent injunction, civil penalties, and other equitable relief in this matter, pursuant to Sections 13(b) and 19 of the Federal Trade Commission Act (the “FTC Act”), 15 U.S.C. §§ 53(b) and 57b, the Telemarketing and Consumer Fraud Abuse Prevention Act (the “Telemarketing Act”), 15 U.S.C. §§ 6101-6108, the Florida Deceptive and Unfair Trade Practices Act (“FDUTPA”), §§ 501.201 *et seq.*, and New York Executive Law § 63(12) (“NY Exec. Law”), in connection with the marketing and sale of business development products and services. Plaintiffs and Individual

Defendant Johnson stipulate to the entry of this Stipulated Final Judgment and Order for Permanent Injunction and Monetary Relief as to Defendant Edward B. Johnson (“Order”) to resolve all matters of dispute between them in this action.

THEREFORE, IT IS ORDERED as follows:

FINDINGS

1. This Court has jurisdiction over this matter.
2. The Amended Complaint charges that Defendants participated in deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), the FTC’s Trade Regulation Rule entitled Telemarketing Sales Rule (“TSR” or “Rule”), 16 C.F.R. Part 310, the New York Executive Law (“NY Exec. Law”) §63(12), New York General Business Law (“GBL”) §§ 349 and 350, and the Florida Deceptive and Unfair Trade Practices Act (“FDUPTA”), §501.201 *et. seq.*
3. Individual Defendant Johnson neither admits nor denies any of the allegations in the Amended Complaint, except as specifically stated in this Order. Only for purposes of this action, Individual Defendant Johnson admits the facts necessary to establish jurisdiction.
4. Individual Defendant Johnson waives any claim he may have under the Equal Access to Justice Act, 28 U.S.C. §2412, concerning the prosecution of this action through the date of this Order, and agrees to bear his own costs and attorney fees.
5. Individual Defendant Johnson waives all rights to appeal or otherwise challenge or contest the validity of this Order.

DEFINITIONS

For purposes of this Order, the following definitions apply:

1. **“Business Coaching Services”** means any product or service, including any program or plan, that is represented, expressly or by implication, to train or teach a consumer how to establish a business.
2. **“Business Maximization Services”** means credit development, business plans and planning, and merchant account processing for any business.
3. **“Defendants”** means Individual Defendant Johnson, Michael M. Savage, Brendon A. Pack, Gary J. Milkwick, The Tax Club, Inc., also doing business as Success Merchant Services, Corporate Tax Network, Corporate Credit, and E-tax Hotline 8882790191; Manhattan Professional Group, Inc., also doing business as The Tax Club, Bookkeeping Services, Bookkeeping Services, Ikongo, Essential Planning, Corporate Tax Network, Business Document Center, the Success Planning Group, All Access Books, and Vital Payroll; 5410, Inc., also doing business as Internet Marketing Success, the Success Planning Group, Success Planning Group 2, Success Online, Business Credit, Success Merchant Processing, Real Estate Wire, Day Trade Team, Funding Fasttrack, Corporate Credit, Corporate Credit 2, and Prestige Financing Services; Marble Base, Inc., also doing business as Business Resources, Corporate Solutions, Business Success, Business Services, Online Development, and Jade Seek; 6015, LLC, also doing business as Cypress Corp. Services, My Tax Service, and Accounting Group Services; 1800Accountant, LLC; Ikongo, Inc.; Tahuya, Inc.; Visavis, Inc.; HB Marketing Services, LLC, also doing business as Global Education, Website Services, Cell Phone Coaching,

Maverick MM, and Email Cash; Premier Coaching & Consulting, LLC, also doing business as Premier Coaching, Website Services, AC Secrets: 8774372521, Automatic Profit System, Advanced Profits, VIP Profits, Automatic Profit System VIP, and Automatic Profit System Advanced; Skorpios Holdings, Inc., also known as Skorpios Holding, Inc., and any fictitious business entities or business names created or used by these entities, and their successors and assigns.

4. **“Individual Defendant Johnson”** means the Individual Defendant Edward B. Johnson, also known as Ted Johnson, also known as Tedd Johnson.
5. **“Person”** means a natural person, organization, or other legal entity, including a corporation, partnership, proprietorship, association, cooperative, government or governmental subdivision or agency, or any other group or combination acting as an entity.
6. **“Plaintiffs”** means the Federal Trade Commission (“FTC” or “Commission”), the State of New York, and the State of Florida.
7. **“Telemarketing”** means any plan, program or campaign which is conducted to induce the purchase of goods or services by use of one or more telephones, and which involves a telephone call, whether or not covered by the TSR.
8. **“Work-at-Home Opportunity”** means any product or service, including any program or plan, that is represented, expressly or by implication, to assist a consumer in any manner to earn money while working from home.

ORDER

I. BAN ON MARKETING OR SALE OF BUSINESS COACHING SERVICES, BUSINESS MAXIMAZATION SERVICES, AND WORK-AT-HOME OPPORTUNITIES

IT IS ORDERED that Individual Defendant Johnson is permanently restrained and enjoined from advertising, marketing, promoting, or offering for sale any Business Coaching Services, Business Maximization Services, or Work-at-Home Opportunity.

Provided, however, this provision does not include website design or traffic generation products or services and corporate recordkeeping software.

II. PROHIBITIONS RELATING TO TELEMARKETING PRACTICES

IT IS FURTHER ORDERED that, in connection with telemarketing, Individual Defendant Johnson, his officers, agents, servants, and employees, and all other persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, in connection with the sale of any product or service, are permanently restrained and enjoined from:

- A. Failing to disclose truthfully, promptly, and in a clear and conspicuous manner:
 - (1) the identity of the seller; (2) that the purpose of the call is to sell goods or services; and (3) the nature of those good or services; and
- B. Violating any provision of the TSR. (A copy of the TSR is attached as Attachment A.)

III. PROHIBITED PRACTICES RELATING TO ANY PRODUCTS OR SERVICES

IT IS FURTHER ORDERED that Individual Defendant Johnson, his officers, agents, servants, and employees, and all other persons in active concert or participation with any of

them, who receive actual notice of this Order, whether acting directly or indirectly, in connection with the sale of any products or services, are permanently restrained and enjoined from misrepresenting or assisting others in misrepresenting, expressly or by implication, any material fact, including, but not limited to:

- A. That consumers will recoup the cost of any of Individual Defendant Johnson's products and services through the provision of any product or service Individual Defendant Johnson offers, and/or provision of a tax deduction, tax refund, or tax credit;
- B. That consumers will be able to transfer the cost of any of Individual Defendant Johnson's products and services to their future businesses;
- C. That consumers will have unlimited access to advisors;
- D. That any advisors will provide specialized expert advice tailored to the consumers' specific needs;
- E. That consumers will recoup the money they already paid to other companies if they purchase additional products and services from Individual Defendant Johnson;
- F. That any person or entity is affiliated or associated with, under contract with, acting in partnership with, endorsed or approved by, or otherwise connected to any other person, business entity, or government entity;
- G. The cost of any product or service;
- H. Any material restriction, limitation, or condition on the product or service;

- I. Any material aspect of the nature or terms of any refund, cancellation, exchange, or repurchase policy for the product or service; and
- J. Any material aspect of the performance, efficacy, nature, or central characteristics of the product or service.

IV. MONETARY JUDGMENT

IT IS FURTHER ORDERED that:

- A. Judgment in the amount of ONE HUNDRED FIFTEEN MILLION DOLLARS (\$115,000,000) is entered in favor of the Plaintiffs against Individual Defendant Johnson, as equitable monetary relief. This judgment shall be reduced by funds turned over to the Commission by Individual Defendant Johnson and Venable LLP as set forth below. All taxes and fees assessed against Individual Defendant Johnson resulting from the sale or transfer of assets shall not reduce the amount of the judgment. Upon payments and transfer of all assets specified in Subsections B, D, E, F, and G below, the remainder of the judgment is suspended, subject to Subsections K, L, M, and N below.
- B. In partial satisfaction of the monetary judgment set forth above, within seven (7) days of entry of this Order:
 - 1. Individual Defendant Johnson shall transfer to the Commission by electronic fund transfer in accordance with instructions to be provided by counsel for the Commission:
 - a) all funds held in the Charles Schwab account ending in 3386;
 - b) all funds held in the Charles Schwab account ending in 8378; and

c) all funds held in the Wells Fargo brokerage account ending in 5519 if Individual Defendant Johnson has sold and closed on the sale of the Real Property set forth in Subsection D for fair market value at the time of entry of this Order. If Individual Defendant Johnson has not sold and closed on the sale, at fair market value, of the Real Property set forth in Subsection D at the time of entry of this Order, then Individual Defendant Johnson shall transfer the funds held in the Wells Fargo brokerage account ending in 5519 as follows:

- i.) \$100,000 to the Liquidator appointed in Section V; and
- ii.) all other funds to the Commission by electronic fund transfer in accordance with instructions to be provided by counsel for the Commission.

C. In partial satisfaction of the monetary judgment set forth above, Individual Defendant Johnson waives all rights and title to any funds remaining in an escrow account at Venable LLP under the client/matter titled Edward B. Johnson/FTC v. Tax Club, Inc. (“Venable escrow”) when the litigation in this matter has concluded with regard to all parties. Any and all remaining funds in the Venable escrow at the time this Order is entered shall only be used for purposes related to this litigation. Upon the entry of final judgment in this matter as to all Defendants, within seven (7) days, Venable LLP shall transfer the remaining

balance in the Venable escrow to the Commission, by electronic fund transfer, in accordance with instructions provided by counsel for the Commission.

- D. In partial satisfaction of the monetary judgment set forth above, within seven (7) days after the date of entry of this Order, but no later than June 30, 2014, Individual Defendant Johnson shall offer for sale the property located at 5026 Linea Del Cielo, Rancho Santa Fe, CA, 92067, including, but not limited to, the land, buildings and any and all fixtures, appurtenances, and improvements (“Real Property”); for fair market value, and shall transfer all proceeds of that sale, after the payment of all Real Property-related priority liens, debts, and mortgages, real estate commissions, and fees associated with the sale of the Real Property, to the Commission by electronic fund transfer in accordance with instructions to be provided by counsel for the Commission. With regard to the Real Property:

1. Individual Defendant Johnson represents that he is the sole owner of the Real Property. Individual Defendant Johnson represents and warrants that since February 1, 2014, he has not directly encumbered the Real Property with any other lien, mortgage, deed of trust, assignment, pledge, security interest, or other interest, and that no other lien, mortgage, deed of trust, assignment, security or other interest or encumbrance exists with respect to the Real Property, except for the liens, mortgages, or security interests identified in the sworn financial statement submitted to the FTC on March 31, 2014.

2. Individual Defendant Johnson shall in no way profit from the sale of the Real Property, including by sharing in any sales commission or fee, or by receiving anything of value in kind.
 3. Individual Defendant Johnson shall take no action to diminish the value of and shall maintain the Real Property, including any structures, fixtures, and appurtenances thereto, in good working order.
 4. Individual Defendant Johnson shall purchase and maintain insurance on the Real Property for at least its replacement value through June 30, 2014, and shall name the Commission as an additional beneficiary on said insurance within seven (7) days after the entry of this Order, in an amount equivalent to the listing price of the Real Property minus any mortgage.
 5. Upon the sale of the Real Property, Individual Defendant Johnson forever waives, releases, discharges, and disclaims all right, title, and interest, including any homestead, in the Real Property.
- E. In partial satisfaction of the monetary judgment set forth above, Individual Defendant Johnson agrees to the following with regard to all funds held in the Wells Fargo account ending in 8788:
1. Funds from the Wells Fargo account 8788 shall only be used for the following Real Property expenses: taxes, mortgage, utilities, reasonable and necessary maintenance, insurance, homeowner's assessments, sewer and/or water use charges and similar fees. Individual Defendant Johnson

shall promptly upon request provide the Plaintiffs with written evidence of said payments and any accounting from the Wells Fargo account 8788.

2. Any funds remaining in the Wells Fargo account 8788 after the closing of the sale of the Real Property or June 30, 2014, whichever is earlier, shall be transferred within seven (7) days of the closing to the Commission by electronic funds transfer in accordance with instructions to be provided by counsel for the Commission.

F. In partial satisfaction of the monetary judgment set forth above, if, by entry of this Order, Individual Defendant Johnson has not received and accepted an offer at fair market value for the sale of the Real Property with the closing of that sale to take place on or before June 30, 2014, then the following steps shall occur:

1. Individual Defendant Johnson shall immediately take all steps necessary to assist and cooperate with the Liquidator, appointed by the Court in the Section titled "Appointment of Liquidator," in the sale of the Real Property, including the provision of all documents, contracts, and mortgages related to the Real Property, including any contracts related to any real estate agents used to list or sell the Real Property, and any utility bills and account information, including any passwords necessary to change such accounts. Individual Defendant Johnson shall sign any documents necessary for the sale of the Real Property, including, but not limited to, any powers of attorney that the Liquidator may request him to sign in connection with the sale of the Real Property and any documents

necessary for the transfer of the Real Property to new buyers, as well as any documents necessary to transfer any accounts, mail, or notices related to the Real Property to the Liquidator;

2. The Liquidator has sole discretion regarding the continued use of any real estate agents hired by Individual Defendant Johnson. Individual Defendant Johnson shall cooperate fully and not interfere in any way with the Liquidator's efforts to enter onto, market, and sell the Real Property, including, but not limited to, the Liquidator's efforts to gain access to and show the property to prospective purchasers or brokers or to evaluate or cause his agents, representatives or contractors to maintain, repair, restore and evaluate the condition of the property from the entry of this Order and thereafter;
3. Individual Defendant Johnson shall transfer to the Commission, by electronic funds transfer in accordance with instructions to be provided by counsel for the Commission, any buyer's sale deposit that is not returned to said buyer in the event that the sale is not completed;
4. Individual Defendant Johnson shall provide a set of all keys and/or codes used for the Real Property to the Liquidator and/or his agent(s);
5. Individual Defendant Johnson and any other person using and occupying the Real Property shall have until June 30, 2014 to vacate the Real Property. Individual Defendant Johnson shall, until he vacates the Real Property, remain current on all amounts due and payable on the Real

Property, including, but not limited to, taxes, mortgage, utilities, reasonable and necessary maintenance, homeowner's assessments, sewer and/or water use charges and similar fees, and shall promptly upon request provide the Plaintiffs and the Liquidator with written paid receipts or other evidence of said payments to the satisfaction of the Plaintiffs and Liquidator. After June 30, 2014, the Liquidator shall pay and remain current on all amounts due and payable on the Real Property, including, but not limited to, insurance, taxes, mortgage, utilities, reasonable and necessary maintenance, homeowner's assessments, sewer and/or water use charges and similar fees; and

6. Individual Defendant Johnson shall provide the Liquidator with fourteen (14) days' written notice of the exact date he and any other persons using and occupying the Real Property intend to vacate the property.

G. In partial satisfaction of the monetary judgment set forth above, within seven (7) days of the date of entry of this Order, Individual Defendant Johnson shall promptly take all steps necessary to sell the following personal property: (a) 2010 Porsche Panamera, (b) 2008 Chaparral Sunsetta (28') boat, and (c) Two Honda Wave Runners, (collectively "Personal Properties"), for fair market value to a third-party buyer:

1. Individual Defendant Johnson shall keep the Personal Properties in conditions suitable for showing to prospective purchasers; sign the contracts for sale of the Personal Properties; sign all documents necessary

or appropriate for the transfer of the Personal Properties to new buyers; and comply with any reasonable requests from Plaintiffs related to those sales.

2. Individual Defendant Johnson shall immediately transfer, by electronic funds transfer, the proceeds from the sale of each of the Personal Properties to the Commission.
3. If, after four (4) months from the date of entry of this Order, any of the Personal Properties have not been sold, Individual Defendant Johnson shall immediately retain an auction company, and direct such auction company to sell each property at a public auction. Any and all costs associated with the auction of the Personal Properties shall be deducted from the proceeds of such sales.
4. As long as any of the Personal Properties are owned by Individual Defendant Johnson, he shall maintain them in good working order and in the same condition as of March 31, 2014, and shall take no action to diminish their value.
5. Until Individual Defendant Johnson transfers the proceeds of the sale of the Personal Properties to the Commission, he shall remain current on all amounts due and payable on the Personal Properties, including but not limited to tax, insurance, reasonable and necessary maintenance, registration, and similar fees. Individual Defendant Johnson shall cause

existing insurance coverage for the Personal Properties to remain in force until the transfer of ownership.

6. Individual Defendant Johnson shall in no way profit from the sale of the Personal Properties, including by sharing in any sales commission or fee, or by receiving anything of value in kind.
- H. Individual Defendant Johnson's spouse, Christina Johnson, waives all claims to the assets specified in Sections IV.B, IV.C, IV.D, IV.E, IV.F, and IV.G above. In the event that the Real Property is not sold for fair market value prior to the appointment of the Liquidator, Christina Johnson shall cooperate fully with the Liquidator and take such other steps as the Liquidator may require in connection with the listing, marketing, and sale of the Real Property. Christina Johnson shall take no action to diminish or encumber the value of any asset to be transferred or sold.
- I. Individual Defendant Johnson shall maintain and take no action to diminish or encumber the value of any asset to be transferred or sold.
- J. All payments made under this Section shall be made by electronic fund transfer in accordance with instructions provided by a representative of the Commission. Any financial institution with control over any account identified in Subsections IV.B and IV.E above is directed to cooperate with the Commission in facilitating the transfer of funds in the account to the Commission.
- K. Plaintiffs' agreement to the suspension of part of the judgment is expressly premised upon the truthfulness, accuracy, and completeness of Individual

Defendant Johnson's sworn financial statement and related documents

(collectively, "Financial Attestations") submitted to the Plaintiffs, namely:

1. the Financial Statement of Individual Defendant Johnson signed on March 31, 2014, including the attachments;
 2. Tax Returns for 2008, 2009, 2010, 2011, and 2012;
 3. Bank statements for the Charles Schwab account ending in 3386 for the period January 2010 through October 2013;
 4. Bank statements for the Wells Fargo account ending in 5519 for the period January 2010 through February 2014;
 5. Bank statements for Wells Fargo accounts ending in 8964 and 9818 for the period March 2010 through December 2012;
 6. Bank statements for the Wells Fargo account ending in 8378 for the period April 2010 through February 2013;
 7. Bank statements for the Wells Fargo account ending in 5976 for the period January 2008 through February 2013;
 8. Homeowner insurance policies on the Real Property; and
 9. Personal credit card statements for November 2012 through October 2013.
- L. Plaintiffs' agreement to suspend part of the judgment is also expressly premised on the material representation that Individual Defendant Johnson will comply with a separate agreement he has entered into with First Tennessee National Bank which provides that after the Court's entry of this Order, the real and personal properties located at 57-20 Kuilima Drive, Units F103 and D114, Kahuku, Oahu,

Hawaii will be transferred to the First Tennessee Bank for complete and full satisfaction of any and all claims in law or equity that the First Tennessee National Bank and First Victoria National Bank, now merged with Prosperity Bank, have against Individual Defendant Johnson.

- M. The suspension of the judgment will be lifted as to Individual Defendant Johnson if, upon motion by any of the Plaintiffs, the Court finds that Individual Defendant Johnson failed to disclose any material asset, materially misstated the value of any asset, or made any other material misstatement or omission in the financial representations identified above.
- N. If the suspension of the judgment is lifted, the judgment becomes immediately due as to Individual Defendant Johnson in the amount specified in Subsection A, above, which the parties stipulate only for purposes of this Section represents the consumer injury, less any payment previously made pursuant to this Section, plus interest computed from the date of entry of this Order.
- O. Individual Defendant Johnson relinquishes dominion and all legal and equitable right, title, and interest in all assets transferred pursuant to this Order and may not seek the return of any assets.
- P. The facts alleged in the Amended Complaint will be taken as true, without further proof, in any subsequent civil litigation by or on behalf of any Plaintiff, including in a proceeding to enforce such Plaintiff's rights to any payment or monetary judgment pursuant to this Order, such as a nondischargeability complaint in any bankruptcy case.

- Q. The facts alleged in the Amended Complaint establish all elements necessary to sustain an action by any of the Plaintiffs pursuant to Section 523(a)(2)(A) of the Bankruptcy Code, 11 U.S.C. § 523(a)(2)(A), and this Order will have collateral estoppel effect for such purposes.
- R. Individual Defendant Johnson acknowledges that his Social Security Number, which Individual Defendant Johnson previously submitted to the Plaintiffs, may be used for collecting and reporting on any delinquent amount arising out of this Order, in accordance with 31 U.S.C. § 7701.
- S. All money paid to Plaintiffs pursuant to this Order may be deposited into a fund administered by the Commission or its designee to be used for equitable relief, including consumer redress and any attendant expenses for the administration of any redress fund. If a representative of the Commission decides that direct redress to consumers is wholly or partially impracticable or money remains after redress is completed, Plaintiffs may apply any remaining money for such other equitable relief (including consumer information remedies) as they determine to be reasonably related to Defendants' practices alleged in the Amended Complaint. Plaintiffs shall retain authority and sole discretion over the division among Plaintiffs of any funds not used for equitable relief. Any funds paid to the Commission not used for equitable relief shall be deposited to the U.S. Treasury as disbursement. Any funds paid to the State of Florida or the State of New York not used for equitable relief may be used by the State to the full extent authorized by the State's laws, including but not limited to, as payment for the State's costs

of investigating and litigating the instant case. Individual Defendant Johnson has no right to challenge any actions the Plaintiffs or their representatives may take pursuant to this Subsection.

V. APPOINTMENT AND DUTIES OF LIQUIDATOR

IT IS FURTHER ORDERED that, if Individual Defendant Johnson has not, at the time of entry of this Order, sold and closed on the sale of the Real Property, at fair market value, then Peter B. Zlotnick, Esq., a partner in the Litigation Department at the New York law firm of Farrell Fritz, P.C., is appointed as Liquidator (“Liquidator”) with regard to the Real Property.

- A. The Liquidator shall immediately assume the duties of a Liquidator for the purpose of overseeing and monitoring the sale of the Real Property. If the Real Property has not sold by June 30, 2014, the Liquidator shall have full authority to liquidate, market and sell the Real Property.
- B. The Liquidator shall have the full power of an equity receiver of the Real Property; shall be solely the agent of this Court; and shall be accountable directly to the Court acting as the liquidating equity receiver under this Order. The Liquidator shall comply with all Local Rules of this Court governing equity receivers.
- C. In his capacity as a full equity receiver, the Liquidator shall have all necessary powers and authority, within his sole discretion, in consultation with the Plaintiffs and subject to Court approval, to own, maintain, and sell the Real Property including, without limitation, the following powers and responsibilities:

1. to take possession, custody, and control of the Real Property in order to sell it, including the removal of Individual Defendant Johnson and his family members if they have not vacated the Real Property by June 30, 2014;
2. to employ such counsel, real estate agents, auctioneers, appraisers, accountants, contractors, other professionals, and other such persons as may be necessary in order to carry out his duties as Liquidator and to preserve, maintain, and protect the Real Property until it is sold;
3. to open new accounts with, or negotiate, compromise, or otherwise modify Individual Defendant Johnson's existing obligations with third parties, including utility companies, other service providers, or suppliers of goods and services related to the Real Property;
4. to retain, hire, or fire any employees, brokers, consultants, real estate agents, or others who are currently employed or have any agreement with regard to the Real Property;
5. to otherwise enter into such agreements, contracts, or understandings with such third parties as are necessary to maintain, preserve, and protect the Real Property prior to its sale;
6. to collect, marshal, and take possession of all accounts, mail, and other documents in the possession, custody, or control of Individual Defendant Johnson that relate to the Real Property. The Liquidator shall have the power to change the mailing address of Individual Defendant Johnson

solely with respect to items in connection with the Real Property and the sale of the Real Property, including, but not limited to any items arising out of or in connection with the ownership, maintenance, or sale of the Real Property;

7. to take any steps which the Liquidator deems necessary or advisable to secure the Real Property, including changing any locks on any structures or buildings on the Real Property after Individual Defendant Johnson and his family have vacated the property, or, at the latest, by June 30, 2014, if the Real Property is not sold by that date;
8. to take any and all steps which the Liquidator deems necessary or advisable to transfer all legal, beneficial and equitable rights, title and interest in and to the Real Property from Individual Defendant Johnson to the Liquidator or any entity created by the Liquidator for that purpose for the purpose of facilitating the marketing and sale of the Real Property; provided, however, that the Liquidator shall be under no obligation to cause the title or deed of the Real Property to be transferred into his name, in his capacity as Liquidator, or an entity which he may form for that purpose;
9. to open new bank accounts, including, but not limited to, the Liquidator's Operating Account, to facilitate the Liquidator's ownership, management, maintenance, and sale of the Real Property;

10. to make payments and disbursements from the Liquidator's Operating Account or upon the sale of the Real Property that are necessary or advisable to carry out the directions of, or exercise the authority granted to the Liquidator pursuant to this Order; and
 11. to apply to this Court for such other or further directions, powers, and authority as may be necessary to enable the Liquidator to fulfill his duties.
- D. As soon as reasonably possible, the Liquidator shall, at a reasonable cost and in a commercially reasonable fashion, liquidate, market and sell the Real Property, together with any and all fixtures, appurtenances, and improvements. After the Real Property has been liquidated and sold, the Liquidator shall account for the net sale proceeds derived therefrom, and transfer all such net proceeds to the Commission. The Liquidator shall make the transfer required by this Subsection by electronic fund transfer or certified bank or cashier's check in accordance with instructions provided by counsel for the Commission.
- E. Upon transfer of legal, beneficial, and equitable title or the possession, custody or control of the Real Property to the Liquidator, the Liquidator is authorized to assume responsibility for ownership, maintenance, or sale of the Real Property, including but not limited to, making disbursements for operating expenses as may be appropriate, undertaking repairs, and taking any other actions necessary to efficiently manage the Real Property and to maintain its value.
- F. The Liquidator shall take all necessary action to procure appropriate insurance for the Real Property naming the Liquidator and the Plaintiffs as insureds. The

Liquidator may as an option keep in force the existing insurance coverage(s), each of which shall name the Plaintiffs and the Liquidator as additional insureds thereunder.

- G. After June 30, 2014, the Liquidator shall pay and remain current on all amounts due and payable on the Real Property, including, but not limited to, insurance, taxes, mortgage, utilities, reasonable and necessary maintenance, homeowner's assessments, sewer and/or water use charges and similar fees.
- H. The Liquidator shall keep a true and accurate account of any and all receipts and expenditures and periodically file with the Court a Liquidator's Report under oath, accurately identifying all such revenues received and expenditures made, including adequately detailed information concerning income, expenses, payables and receivables. These periodic filings shall be served by the Liquidator on the counsel for the Commission, FL AG, and NY AG.
- I. The Liquidator and all personnel hired by the Liquidator as herein authorized, including any accountants or other professionals employed or engaged by him, are entitled to reasonable compensation for the performance of duties undertaken pursuant to this Order and for the cost of actual out-of-pocket expenses incurred by them. The Liquidator's compensation and the compensation of any persons hired by him shall be paid from the following: (a) certain proceeds of the monetary judgment entered in this action pursuant to this Order in favor of the Plaintiffs and against Individual Defendant Johnson as set forth in greater detail above and transferred to a Liquidator's Operating Account, which account shall

be opened by the Liquidator, *inter alia*, for the purpose of paying the compensation and other reasonable expenses of the Liquidator and his professionals and for paying any other reasonable expenses necessary to maintain the Real Property until it is sold; and/or (b) from the proceeds of the sale of the Real Property. Such payments for the compensation of the Liquidator and the Liquidator's professionals shall have priority over all other distributions except for any transfer fees, recording fees, or other payments owed through the transfer of the Real Property at the time of its sale. The Liquidator shall file with the Court and serve on the parties a request for the payment of reasonable compensation at the time of the filing of periodic reports and no less than every sixty (60) days. The Liquidator shall not increase the fees or rates used as the basis for such fee applications without prior approval of the Plaintiffs and the Court. Individual Defendant Johnson shall have no right to object to the Liquidator's fees or compensation. Absent a violation of this Order by Individual Defendant Johnson or any of his family members that causes the Liquidator to incur fees or expenses, Individual Defendant Johnson shall not be liable for the Liquidator's fees or expenses.

VI. WITHDRAWAL AND TERMINATION OF LIQUIDATOR

IT IS FURTHER ORDERED that:

- A. The Liquidator and any professionals retained by the Liquidator are hereby authorized to withdraw from their respective appointments or representations at any time after the date of this Order, for any reason in their sole and absolute

discretion, by sending written notice seven (7) days prior to the date the Liquidator intends to withdraw to the Court and to the parties; and such Liquidator and professionals shall be relieved of all liabilities and responsibilities seven (7) days from the date of such notice of withdrawal. The written notice shall include an interim report indicating the Liquidator's actions and shall reflect the knowledge and information obtained through the date of the report by the Liquidator concerning the ownership, management, maintenance, and/or sale of the Real Property, as well as recommendations of the Liquidator, if any, with respect thereto.

- B. Upon the final transfer of all funds to the Commission pursuant to the Section titled "Appointment and Duties of Liquidator," the duties of the Liquidator shall terminate. The Liquidator shall file his final application for fees, complete liquidation, and terminate his service within one year of the execution of this Order, unless good cause is shown to extend beyond one year. At the termination of the Liquidator's duties, the Liquidator shall transfer any unliquidated right, title, and interest in the Real Property to the Commission, as well as any amounts remaining in the Liquidator's Operating Account.

VII. CUSTOMER INFORMATION

IT IS FURTHER ORDERED that Individual Defendant Johnson, his officers, agents, servants, and employees, and all other persons in active concert or participation with any of them, who receive actual notice of this Order, are permanently restrained and enjoined from directly or indirectly:

- A. disclosing, using, or benefitting from customer information, including the name, address, telephone number, email address, social security number, other identifying information, or any data that enables access to a customer's account, including a credit card, bank account, or other financial account, that any Defendant obtained prior to entry of this Order in connection with the marketing and sale of business development products and services; and
- B. failing to destroy such customer information in all forms in their possession, custody, or control within 30 days after receipt of written direction to do so from a representative of the Commission.

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

VIII. COOPERATION

IT IS FURTHER ORDERED that Individual Defendant Johnson must fully cooperate with Plaintiffs' representatives in this case and in any investigation related to or associated with the transactions or the occurrences that are the subject of the Amended Complaint. Individual Defendant Johnson must provide truthful and complete information, evidence, and testimony. Individual Defendant Johnson must appear for interviews, discovery, hearings, trials, and any other proceedings that Plaintiffs' representatives may reasonably request upon 5 days written notice, or other reasonable notice, at such places and times as Plaintiffs' representatives may designate, without the service of a subpoena.

IX. ORDER ACKNOWLEDGMENTS

IT IS FURTHER ORDERED that Individual Defendant Johnson obtain acknowledgments of receipt of this Order:

- A. Individual Defendant Johnson, within 7 days of entry of this Order, must submit to the Commission an acknowledgment of receipt of this Order sworn under penalty of perjury.
- B. For 10 years after entry of this Order, for any business that Individual Defendant Johnson, individually or collectively with any other Defendant, is the majority owner or controls directly or indirectly, Individual Defendant Johnson must deliver a copy of this Order to: (1) all principals, officers, directors, and LLC managers and members; (2) all employees, agents, and representatives who participate in conduct related to the subject matter of the Order; and (3) any business entity resulting from any change in structure as set forth in the Section titled "Compliance Reporting." Delivery must occur within 7 days of entry of this Order for current personnel. For all others, delivery must occur before they assume their responsibilities.
- C. From each individual or entity to which Individual Defendant Johnson delivered a copy of this Order, Individual Defendant Johnson must obtain, within 30 days, a signed and dated acknowledgment of receipt of this Order.

X. COMPLIANCE REPORTING

IT IS FURTHER ORDERED that Individual Defendant Johnson make timely submissions to the Commission:

- A. One year after entry of this Order, Individual Defendant Johnson must submit a compliance report, sworn under penalty of perjury:
1. Individual Defendant Johnson must: (a) identify the primary physical, postal, and email address and telephone number, as designated points of contact, which representatives of the Commission may use to communicate with Defendant; (b) identify all of Individual Defendant Johnson's businesses by all of their names, telephone numbers, and physical, postal, email, and Internet addresses; (c) describe the activities of each business, including the goods and services offered, the means of advertising, marketing, and sales, and the involvement of any other Defendant; (d) describe in detail whether and how Individual Defendant Johnson is in compliance with each Section of this Order; and (e) provide a copy of each Order Acknowledgment obtained pursuant to this Order, unless previously submitted to the Commission.
 2. Additionally, Individual Defendant Johnson must: (a) identify all telephone numbers and all physical, postal, email and Internet addresses, including all residences; (b) identify all business activities, including any business for which Individual Defendant Johnson performs services whether as an employee or otherwise and any entity in which Individual Defendant Johnson has any ownership interest; and (c) describe in detail Individual Defendant Johnson's involvement in each such business,

including title, role, responsibilities, participation, authority, control, and any ownership.

B. For 20 years after entry of this Order, Individual Defendant Johnson must submit a compliance notice, sworn under penalty of perjury, within 14 days of any change in the following:

1. Individual Defendant Johnson must report any change in: (a) any designated point of contact; or (b) the structure of any entity that Individual Defendant Johnson has any ownership interest in or controls directly or indirectly that may affect compliance obligations arising under this Order, including: creation, merger, sale, or dissolution of the entity or any subsidiary, parent, or affiliate that engages in any acts or practices subject to this Order.

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

C. Individual Defendant Johnson must submit to the Commission notice of the filing of any bankruptcy petition, insolvency proceeding, or similar proceeding by or against him within 14 days of its filing.

- D. Any submission to the Commission required by this Order to be sworn under penalty of perjury must be true and accurate and comply with 28 U.S.C. § 1746, such as by concluding: “I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on: _____” and supplying the date, signatory’s full name, title (if applicable), and signature.
- E. Unless otherwise directed by a Commission representative in writing, all submissions to the Commission pursuant to this Order must be emailed to DEbrief@ftc.gov or sent by overnight courier (not the U.S. Postal Service) to: Associate Director for Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, DC 20580. The subject line must begin: FTC, et al. v. Edward B. Johnson, X130019.

XI. RECORDKEEPING

IT IS FURTHER ORDERED that Individual Defendant Johnson must create certain records for 20 years after entry of the Order, and retain each such record for 5 years. Specifically, Individual Defendant Johnson, for any business that he, individually or collectively with any other Defendant, 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 Plaintiffs; and
- E. a copy of each unique: (1) contract with any payment processor or list broker; (2) solicitation or advertisement; and (3) marketing material related to the provision of goods or services to consumers.

XII. COMPLIANCE MONITORING

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

- A. Within 14 days of receipt of a written request from a representative of any Plaintiff, Individual Defendant Johnson 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 Plaintiffs are 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), 31, 33, 34, 36, 45, and 69.
- B. For matters concerning this Order, the Plaintiffs are authorized to communicate directly with Individual Defendant Johnson. Individual Defendant Johnson must permit representatives of the Plaintiffs to interview any employee or other person

affiliated with him who has agreed to such an interview. The person interviewed may have counsel present.

C. The Plaintiffs may use all other lawful means, including posing, through their representatives as consumers, suppliers, or other individuals or entities, to Individual Defendant Johnson or any individual or entity affiliated with Individual Defendant Johnson, without the necessity of identification or prior notice.

Nothing in this Order limits the Commission's lawful use of compulsory process, pursuant to Sections 9 and 20 of the FTC Act, 15 U.S.C. §§ 49, 57b-1.

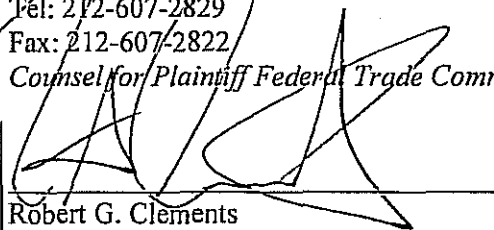
XIII. RETENTION OF JURISDICTION

IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this matter for purposes of enforcing this Order.



Darren Lubetzky
Ann F. Weintraub
Savvas Diacosavvas
Federal Trade Commission
Northeast Region
1 Bowling Green, Suite 318
New York, New York 10004
Tel: 212-607-2829
Fax: 212-607-2822
Counsel for Plaintiff Federal Trade Commission

Dated: 5/23/14



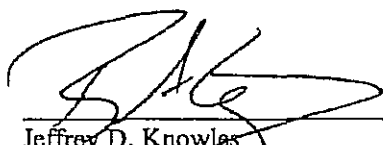
Robert G. Clements
Office of the Attorney General
135 W. Central Blvd., Suite 1000
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Tel: 407-245-0833
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Counsel for Plaintiff State of Florida

Dated: 5/23/14



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101 East Post Road
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Fax: 914-422-8706
Counsel for Plaintiff State of New York

Dated: 5-23-14



Jeffrey D. Knowles
Roger A. Colajizzi
Michael C. Hartmere
Venable LLP
575 7th Street, N.W.
Washington, DC 20004
Tel: 202-344-4000
Fax: 202-344-8300
Counsel for Defendant Edward B. Johnson

Dated: 4/24/14

Edward B. Johnson, *Defendant*

Dated: _____

Christina Rae Johnson, as to Section IV.H
only

Dated: _____

IT IS SO ORDERED.

HON. JESSE M. FURMAN
UNITED STATES DISTRICT COURT JUDGE

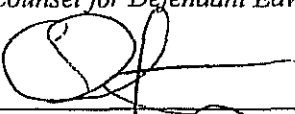
Dated: _____

Judy S. Prosper
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101 East Post Road
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Tel: 914-422-8824
Fax: 914-422-8706
Counsel for Plaintiff State of New York

Dated: _____

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Roger A. Colaizzi
Michael C. Hartmere
Venable LLP
575 7th Street, N.W.
Washington, DC 20004
Tel: 202-344-4000
Fax: 202-344-8300
Counsel for Defendant Edward B. Johnson

Dated: _____



Edward B. Johnson, *Defendant*

Dated: 4/24/2014

Christina Rae Johnson, as to Section IV.H
only

Dated: _____

IT IS SO ORDERED.

HON. JESSE M. FURMAN
UNITED STATES DISTRICT COURT JUDGE

Dated: _____

Judy S. Prosper
Office of the Attorney General
Westchester Regional Office
101 East Post Road
White Plains, New York 10601
Tel: 914-422-8824
Fax: 914-422-8706
Counsel for Plaintiff State of New York

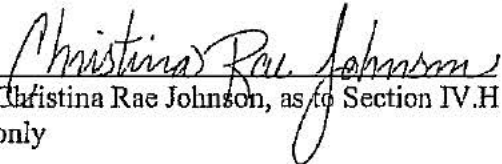
Dated: _____

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Roger A. Colaizzi
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Tel: 202-344-4000
Fax: 202-344-8300
Counsel for Defendant Edward B. Johnson

Dated: _____

Edward B. Johnson, *Defendant*

Dated: _____


Christina Rae Johnson, as to Section IV.H
only

Dated: 4-22-2014

The Clerk of Court is directed to terminate Docket No. 138.

IT IS SO ORDERED.



HON. JESSE M. FURMAN
UNITED STATES DISTRICT COURT JUDGE

Dated: June 2, 2014