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9 Attorneys for Plaintiff
United States of America

10 **IN THE UNITED STATES DISTRICT COURT**
11 **FOR THE CENTRAL DISTRICT OF CALIFORNIA**
WESTERN DIVISION

12 UNITED STATES OF AMERICA,)
13)

14 Plaintiff,)

15 v.)

16 We The People Forms And Service Centers)
USA, Inc., a California corporation,)

17 Defendant.)
18

Civ. No.

19 **STIPULATED JUDGMENT AND ORDER FOR**
PERMANENT INJUNCTION

20 Plaintiff, the United States of America, acting upon notification and authorization to the
21 Attorney General by the Federal Trade Commission ("FTC" or "Commission"), pursuant to
22 Section 16(a)(1) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 56(a)(1), has
23 filed a complaint pursuant to Sections 5(a)(1), 5(m)(1)(A), 13(b), 16(a), and 19 of the FTC Act,
24 15 U.S.C. §§ 45(a)(1), 45(m)(1)(A), 53b, 56(a), and 57b, to secure civil penalties, a permanent
25 injunction, and other equitable relief for Defendant's violations of Section 5 of the FTC Act, 15
26 U.S.C. § 45(a), and the Commission's Trade Regulation Rule entitled "Disclosure Requirements
27

28 Stipulated Judgment

1 and Prohibitions Concerning Franchising and Business Opportunity Ventures” (“the Franchise
2 Rule” or “the Rule”), 16 C.F.R. Part 436. The parties to this action agree to settlement of this
3 action without adjudication of any issue of fact or law and without the Defendant admitting
4 liability for any of the violations alleged in the complaint.

5 **THEREFORE**, on the joint motion of the parties, it is hereby **ORDERED, ADJUDGED,**
6 and **DECREED** as follows:

7 **FINDINGS**

8 1. This Court has jurisdiction of the subject matter and of the parties pursuant to 28 U.S.C.
9 §§ 1331, 1337(a), and 1345, and 15 U.S.C. §§ 53(b) and 57b.

10 2. Venue in this District is proper as to all parties.

11 3. The complaint states a claim upon which relief may be granted against the Defendant under
12 Sections 5(a), 5(m)(1)(A), 13(b), and 19 of the FTC Act, 15 U.S.C. §§ 45(a), 45(m)(1)(A), 53(b),
13 and 57b.

14 4. The activities of the Defendant as alleged in the complaint are in or affecting commerce, as
15 defined in 15 U.S.C. § 44.

16 5. Defendant has entered into this Stipulated Judgment and Order for Permanent Injunction
17 (“Order”) freely and without coercion. The undersigned officer of Defendant further
18 acknowledges that he has read the provisions of this Order and is prepared to abide by them.

19 6. Plaintiff and Defendant hereby waive all rights to appeal or otherwise challenge or contest
20 the validity of this Order.

21 7. Defendant has agreed that this Order does not entitle Defendant to seek or to obtain
22 attorneys’ fees as a prevailing party under the Equal Access to Justice Act, 28 U.S.C. § 2412, and
23 Defendant further waives any rights to attorneys’ fees that may arise under said provision of law.

24 8. Entry of this Order is in the public interest.

25 **DEFINITIONS**

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

27 1. “Defendant” means We The People Forms And Service Centers USA, Inc. (“We The

1 People”).

2 2. “Person” means a natural person or a corporation, partnership, proprietorship, or other
3 organization or legal entity, including an association, cooperative, or agency, or other group or
4 combination acting as an entity.

5 3. “Franchise Rule” or “Rule” means the FTC Trade Regulation Rule entitled “Disclosure
6 Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures,”
7 16 C.F.R. Part 436, as promulgated or as the Rule may hereafter be amended.

8 4. “Franchise” and “franchisor” are defined as those terms are defined in Sections 436.2(a)
9 and (c) of the Franchise Rule, 16 C.F.R. §§ 436.2(a) and (c), and include “business opportunity
10 ventures” as set forth at 16 C.F.R. §§ 436.2(a)(1)(ii) and (2), and discussed in the FTC’s Final
11 Interpretive Guide for the Franchise Rule, 44 Fed. Reg. 49,966 (August 24, 1979). The term
12 “franchise” in this Order shall encompass any successor definition of the term “franchise” or
13 “business opportunity” in any future trade regulation rule or rules that may be promulgated by the
14 Commission to modify or supersede the Franchise Rule, in whole or in part, from the date any such
15 rule takes effect.

16 5. “UFOC format” is defined as the Uniform Franchise Offering Circular disclosure format
17 that has been adopted by the North American Securities Administrators’ Association and accepted
18 by the Commission for use in lieu of the Franchise Rule’s disclosure format.

19 ORDER

20 COMPLIANCE WITH THE FRANCHISE RULE

21 I.

22 **IT IS THEREFORE ORDERED** that, in connection with the promoting, marketing,
23 advertising, offering for sale, or sale of any franchise, Defendant, as well as its successors,
24 assigns, officers, agents, servants, employees, entities or persons directly or indirectly under its
25 control, and those persons or entities in active concert or participation with it who receive actual
26 notice of this Order, by personal service or otherwise, whether acting directly or through any
27 corporation, subsidiary, division, or other device, is hereby permanently enjoined from violating,

1 or assisting others in violating, any provision of the FTC Act or the Franchise Rule, 16 C.F.R. Part
2 436, as promulgated or as it may hereinafter be amended, including, but not limited to:

- 3 A. Failing to provide any prospective franchisee with a complete and accurate
4 disclosure document containing all of the information required under Sections
5 436.1(a)(1)-(24) of the Franchise Rule, 16 C.F.R. §§ 436.1(a)(1)-(24), in the
6 manner and within the times specified in the Franchise Rule; provided, however,
7 that Defendant may choose to comply with the disclosure requirements of the
8 Franchise Rule by fully and completely complying with the disclosure requirements
9 set forth in the UFOC format. If the Defendant chooses to comply with the
10 Franchise Rule by using the UFOC format, Defendant is hereby permanently
11 enjoined from failing to comply with any provision of the UFOC. In the event the
12 Franchise Rule is hereafter amended or modified, or the UFOC is amended or
13 modified and any such UFOC amendment or modification is accepted by the
14 Commission for use in lieu of the Franchise Rule's disclosure format, then
15 Defendant's compliance with the Franchise Rule as so amended or modified, or the
16 UFOC as so amended or modified and accepted by the Commission, shall not be
17 deemed a violation of this Order.
- 18 B. Failing to prepare, within a reasonable time after the close of each quarter of the
19 fiscal year, any revisions to be attached to the disclosure document to reflect any
20 material change in the franchisor or relating to the franchise business, as is required
21 by 16 C.F.R. § 436.1(a)(22).

22 COMPLIANCE TRAINING

23 II.

24 **IT IS FURTHER ORDERED** that before Defendant may offer for sale any franchise, it
25 must first participate in the franchise compliance education program sponsored by the International
26 Franchise Association ("IFA"), or comparable program approved by the Commission, at its own
27 expense.

1 **CIVIL PENALTY**

2 **III.**

3 **IT IS FURTHER ORDERED** that judgment in the amount of \$286,000 is hereby entered
4 against Defendant as a civil penalty, pursuant to Section 5(m)(1)(A) of the Federal Trade
5 Commission Act, 15 U.S.C. § 45(m)(1)(A).

6 A. Defendant shall pay the civil penalty according to the following schedule. Prior to
7 or concurrently with its execution of this Order, Defendant shall turn over \$50,000 to its attorney,
8 who shall hold this sum for no purpose other than payment to the Treasurer of the United States
9 after entry of this Order by the Court. Within five (5) days of receipt of notice of the entry of this
10 Order, Defendant's attorney shall transfer the \$50,000 in the form of a wire transfer or certified or
11 cashier's check made payable to the Treasurer of the United States. The check or written
12 confirmation of the wire transfer shall be delivered to: Director, Office of Consumer Litigation,
13 U.S. Department of Justice Civil Division, P.O. Box 386, Washington, DC 20044. The cover
14 letter accompanying the check shall include the title of this litigation and a reference to
15 DJ# 102-3235.

16 B. Defendant shall pay an additional \$50,000 within 90 days of entry of this Order;
17 \$50,000 within 180 days of entry of this Order; \$50,000 within 270 days of entry of this Order;
18 and the balance of \$86,000 within 360 days of entry of this Order. Each payment shall be paid to
19 the Treasurer of the United States in the form of a wire transfer or certified or cashier's check
20 made payable to the Treasurer of the United States, as set forth in section A of this Paragraph.

21 C. In the event of default on any payment required to be made by this Paragraph, the
22 entire unpaid civil penalty, together with interest computed under 28 U.S.C. § 1961 -- accrued
23 from the date of default until the date of payment -- shall be immediately due and payable.
24 Defendant agrees that, in such event, the facts as alleged in the complaint filed in this action shall
25 be taken as true in any subsequent litigation filed by Plaintiff or the Commission to enforce their
26 rights pursuant to this Order, including but not limited to a nondischargeability complaint in any
27 subsequent bankruptcy proceeding.

1 D. Defendant shall cooperate fully with Plaintiff and the Commission and their agents
2 in all attempts to collect any amount due pursuant to this Paragraph if Defendant fails to pay fully
3 the amounts due at the times specified herein. In such an event, Defendant agrees to provide
4 Plaintiff and the Commission with its federal and state tax returns for the preceding two years, and
5 to complete new standard-form financial disclosure forms fully and accurately within ten (10)
6 business days of receiving a request from Plaintiff or the Commission to do so. Defendant further
7 authorizes Plaintiff and the Commission to verify all information provided on its financial
8 disclosure forms with all appropriate third parties, including but not limited to financial
9 institutions.

10 E. In accordance with 31 U.S.C. § 7701, Defendant is hereby required, unless it has
11 done so already, to furnish to Plaintiff and the FTC its taxpayer identifying number(s) (social
12 security numbers or employer identification numbers) which shall be used for purposes of
13 collecting and reporting on any delinquent amount arising out of Defendant's relationship with the
14 government.

15 COMPLIANCE MONITORING

16 IV.

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

19 A. Within ten (10) days of receipt of written notice from a representative of the
20 Plaintiff or Commission, We The People shall submit additional written reports, sworn to under
21 penalty of perjury; produce documents for inspection and copying; appear for deposition; and/or
22 provide entry during normal business hours to any business location in such Defendant's
23 possession or direct or indirect control to inspect the business operation;

24 B. In addition, the Commission and Plaintiff are authorized to monitor compliance
25 with this Order by all other lawful means, including but not limited to the following:

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

1 2. posing as consumers and suppliers to We The People, We The People
2 employees, or any entity managed or controlled in whole or in part by We
3 The People, without the necessity of identification or prior notice;

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

12 **COMPLIANCE REPORTING BY DEFENDANT**

13 **V.**

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

16 A. For a period of three (3) years from the date of entry of this Order, We The People
17 shall notify the Commission of any changes in corporate structure that may affect
18 compliance obligations arising under this Order, including but not limited to a
19 dissolution, assignment, sale, merger, or other action that would result in the
20 emergence of a successor corporation; the creation or dissolution of a subsidiary,
21 parent, or affiliate that engages in any acts or practices subject to this Order; the
22 filing of a bankruptcy petition; or a change in the corporate name or address, at
23 least thirty (30) days prior to such change, *provided* that, with respect to any
24 proposed change in the corporation about which the Defendant learns less than
25 thirty (30) days prior to the date such action is to take place, Defendant shall notify
26 the Commission as soon as is practicable after obtaining such knowledge.

27 B. One hundred eighty (180) days after the date of entry of this Order, We The People

1 shall provide a written report to the FTC, sworn to under penalty of perjury, setting
2 forth in detail the manner and form in which they have complied and are complying
3 with this Order. This report shall include, but not be limited to:

- 4 1. Any changes required to be reported pursuant to subparagraph (A) above;
- 5 2. A copy of each acknowledgment of receipt of this Order obtained by
6 Defendant pursuant to Paragraph VII below;
- 7 3. A statement describing the manner in which the Defendant has complied and
8 is complying with the provisions of this Order requiring the dissemination
9 of complete and accurate disclosure documents in the offering for sale or
10 sale of franchises or business opportunity ventures; and

11 C. For the purposes of this Order, Defendant shall, unless otherwise directed by the
12 Commission's authorized representatives, mail all written notifications to the
13 Commission to:

14 Associate Director for Marketing Practices
15 Federal Trade Commission
16 Room 238
17 600 Pennsylvania Avenue, NW
18 Washington, D.C. 20580
19 Re: U.S. v. We The People

20 D. For the purposes of this Order, Defendant shall, unless otherwise directed by a
21 representative of Plaintiff, identify all written notifications to Plaintiff as provided
22 in reference to DJ# 102-3235, and mail them to:

23 Director, Office of Consumer Litigation
24 U.S. Department of Justice - Civil Division
25 P.O. Box 386
26 Washington, DC 20044.

27 E. For purposes of the compliance reporting and monitoring required by this Order,
28 representatives of Plaintiff and the Commission are authorized to communicate
directly with officers of Defendant.

1 **RECORD KEEPING PROVISIONS**

2 **VI.**

3 **IT IS FURTHER ORDERED** that, for a period of six (6) years from the date of entry of
4 this Order, in connection with the offering for sale of franchises and business opportunity ventures,
5 Defendant, as well as any of its principals, officers, directors, managers, subsidiaries, successors,
6 and assigns, and those employees, agents, representatives and other persons under its control who
7 engage in conduct related to the subject matter of this Order, and who receive actual notice of this
8 Order by personal service or otherwise, are hereby restrained and enjoined from failing to create
9 and retain the following records:

- 10 A. Accounting records that reflect the costs and revenues generated from the sale of
11 franchises and business opportunity ventures;
- 12 B. Personnel records accurately reflecting: the name, address, and telephone number
13 of each person employed in any capacity by such business, including as an
14 independent contractor; that person's job title or position; the date upon which the
15 person commenced work; and the date and reason for the person's termination, if
16 applicable;
- 17 C. Customer files containing the names, addresses, phone numbers, dollar amounts
18 paid, quantity of franchises purchased, and description of franchises purchased, to
19 the extent such information is obtained in the ordinary course of business;
- 20 D. Complaints and refund requests (whether received directly, indirectly or through
21 any third party) and any responses to those complaints or requests;
- 22 E. Copies of all sales scripts, training materials, advertisements, or other marketing
23 materials;
- 24 F. Copies of all materially different versions of disclosure documents (or in the
25 alternative, UFOCs) and, if applicable, earnings claims documents (or UFOC Item
26 19s) provided to prospective franchisees or business venture purchasers; and
27

1 G. All records and documents necessary to demonstrate full compliance with each
2 provision of this Order, including but not limited to, copies of signed and dated
3 acknowledgments of receipt of this order, required by Paragraph VII of this Order,
4 and all reports submitted to the FTC pursuant to Paragraphs IV and V;

5 **DISTRIBUTION OF ORDER BY DEFENDANT**

6 **VII.**

7 **IT IS FURTHER ORDERED** that, for a period of three (3) years from the date of entry of
8 this Order, Defendant shall (a) deliver copies of this Order to all of its principals, officers,
9 directors and managers and (b) deliver a copy of this Order to all of its employees, agents, and
10 representatives under its control who engage in conduct related to the subject matter of this Order.
11 For current personnel, delivery shall be within five (5) days of service of this Order upon
12 Defendant. For new personnel, delivery shall occur prior to them assuming their responsibilities.
13 Defendant must secure a signed and dated statement acknowledging receipt of the Order within
14 thirty (30) days of delivery from all persons receiving a copy of the Order pursuant to this Part.

15 **ACKNOWLEDGMENT OF RECEIPT OF ORDER BY DEFENDANT**

16 **VIII.**

17 **IT IS FURTHER ORDERED** that Defendant, within five (5) business days of receipt of
18 this Order as entered by the Court, must submit to the Commission a truthful sworn statement
19 acknowledging receipt of this Order. See Attachment A.
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1 The parties, by their respective counsel, hereby consent to the terms and conditions of this
2 Stipulated Order as set forth above and consent to the entry thereof.

3 DATED: _____

4 Defendant:

5 PAUL, HASTINGS, JANOFSKY
6 & WALKER, LLP
7 515 South Flower Street, 25th Floor
8 Los Angeles, California 90071-2228

WE THE PEOPLE FORMS AND SERVICE
CENTERS, U.S.A., INC.
1501 State Street
Santa Barbara, California 93101

9 By: _____
10 Michael K. Lindsey
11 Counsel for Defendant

By: _____
Jason F. Searns
Senior Vice President

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PLAINTIFF:

UNITED STATES OF AMERICA:

OF COUNSEL:

EILEEN HARRINGTON
Associate Director for
Marketing Practices
Federal Trade Commission
Washington, D.C. 20580

STEVEN TOPOROFF
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Los Angeles, California 90012
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(213) 894-2380 (facsimile)

EUGENE M. THIROLF
Director
Office of Consumer Litigation

By: _____
ELIZABETH STEIN
Trial Attorney
Office of Consumer Litigation
U.S. Department of Justice
P.O. Box 386
Washington, D.C. 20044
(202) 307-0486 (voice)
(202) 514-8742 (facsimile)

1 ATTACHMENT A

2 UNITED STATES DISTRICT COURT
3 FOR THE CENTRAL DISTRICT OF CALIFORNIA

4 UNITED STATES OF AMERICA,)

5 Plaintiff,)

6 v.)

Civil No.

7 We The People Forms and Service)
8 Centers USA, Inc.)

9 Defendant.)

10
11 We The People and Service Centers USA, Inc. through its authorized representative, being
12 duly sworn, hereby states and affirms as follows:

13 1. My name is _____. My current residence address is

14 _____ . I am a citizen of the United
15 States and am over the age of eighteen. I have personal knowledge of the facts set forth in this
16 Affidavit.

17 2. I am a representative of the Defendant in United States of America v. We The
18 People Forms and Service Centers USA, Inc. (United States District Court for the Central District
19 of California).

20 3. On _____, 200[], I received a copy of the Stipulated Final Order for
21 Civil Penalties, Injunction, and Other Equitable Relief, which was signed by the Honorable
22 _____ and entered by the Court on _____ 200[]. A true and correct
23 copy of the Order I received is appended to this Affidavit.

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I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed on _____ 200[], at _____ (city), _____ [state].

[Full name of Defendant]
Authorized Representative of
We The People Forms and Service Centers
USA, Inc.

State of _____, City of _____

Subscribed and sworn to before me
this _____ day of _____, 200 ____.

Notary Public
My Commission Expires:
