

**UNITED STATES DISTRICT COURT  
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA**

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FEDERAL TRADE COMMISSION,		)
		)
Plaintiff,		)
		)
v.		)
		)
MISTY STAFFORD, individually and d/b/a		)
National Home Assemblers;		)
and		)
		)
WILLIAM R. STAFFORD, Individually,		)
		)
Defendants.		)
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No. 3:CV 05-0215

**FINAL JUDGMENT UPON DEFAULT, INCLUDING PERMANENT  
INJUNCTION, REDRESS, AND OTHER EQUITABLE RELIEF**

Plaintiff, Federal Trade Commission (“FTC” or “Commission”), began this action on February 1, 2005, by filing its COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF (“Complaint”). The Complaint, brought pursuant

to Section 13(b) of the Federal Trade Commission Act, 15 U.S.C. § 53(b), charged Defendants, Misty Stafford and William R. Stafford (“Defendants” or “Staffords”), with deceptive acts or practices in violation of Section 5 of the FTC Act, 15 U.S.C. § 45. Although Defendants initially responded to the suit, including filing an answer, they later failed to cooperate with the litigation, resulting in the Court holding them in default in an order entered June 16, 2005.

In light of Defendants’ default and after considering the pleadings, declarations, exhibits, other evidence, and the arguments of counsel, judgment is entered in favor of Plaintiff, Federal Trade Commission, upon the terms set forth below.

#### **FINDINGS OF FACT AND CONCLUSIONS OF LAW**

1. The Commission brought this action under Sections 5(a) and 13(b) of the FTC Act, 15 U.S.C. §§ 45(a) and 53(b). The Commission’s Complaint seeks permanent injunctive relief against Defendants, Misty Stafford and William R. Stafford, in connection with the advertising and promotion of work-at-home job opportunities and seeks equitable monetary relief in the form of consumer restitution and/or disgorgement. Pursuant to these sections of the FTC Act, the Commission has the authority to seek the relief contained in this Final Judgment.

2. Defendants owned and operated National Home Assemblers (“NHA”), located in Bradford County, Pennsylvania. Beginning in 2002, Defendants, through NHA, advertised nationally, in newspapers and mail solicitations, for persons wanting to work from home. In these ads, Defendants represented that they had “simple work” for “top pay.”

3. In the ads and in promotional material mailed to persons responding to the ads, Defendants represented that consumers working for them could earn substantial sums of money, including up to \$800 per week or \$3200 per month. This representation was false, in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

4. In the ads and in promotional material mailed to persons responding to the ads, Defendants represented that assembling products to Defendants’ standards is simple and requires no special skills. This representation was false, in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

5. The injury to consumers from Defendants’ Section 5(a) violations was at least thirty-four thousand four hundred thirteen dollars (\$34,413) in 2002, one million three hundred sixty-five thousand nine hundred two dollars (\$1,365,902) in 2003, and three million forty-eight thousand nine hundred fourteen dollars (\$3,048,914) in 2004. For the three years combined, the

consumer injury was at least four million four hundred forty-nine thousand two hundred twenty-nine dollars (\$4,449,229).

6. Through their attorney, Defendants waived personal service of the Summons and Complaint.

7. Defendants had actual knowledge of this action. Defendants appeared at the United States Courthouse in Scranton, Pennsylvania, on February 10, 2005, in connection with the preliminary injunction hearing scheduled by the Court. On February 10, 2005, Defendants signed the STIPULATED PRELIMINARY INJUNCTION WITH ASSET FREEZE, ACCOUNTING AND APPOINTMENT OF PERMANENT RECEIVER, which the Court entered on February 14, 2005. Also on February 10, 2005, Defendants provided the FTC with a signed financial statement, which was required by the EX PARTE TEMPORARY RESTRAINING ORDER WITH ASSET FREEZE, ACCOUNTING, AND EXPEDITED DISCOVERY, AND ORDER TO SHOW CAUSE WHY A PRELIMINARY INJUNCTION SHOULD NOT ISSUE, entered by the Court on February 2, 2005.

8. This Court has jurisdiction over the subject matter of this case and over the parties. Venue in this district is proper.

9. Defendants' activities, as alleged in the Complaint, are in or affecting commerce as "commerce" is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

10. On June 16, 2005, the Court entered an order of default against Defendants pursuant to Federal Rules of Civil Procedure 16 and 37 and to Local Rule 16, as a sanction for their failure to cooperate in this litigation. The Staffords have not contacted their attorney since before May 5, 2005; they have left the area without advising their attorney of where they were going or how they could be contacted; they instructed their attorney to settle this case but have neither signed the settlement presented to them by the FTC nor stated objections to it; and they were unavailable to advise their attorney of how to respond to the Receiver's motion for authority to sell a boat and real estate that are part of the Receivership Defendant created by the Stipulated Preliminary Injunction entered February 14, 2005. The Staffords also failed to appear at a hearing on June 1, 2005, in United States District Court in connection with criminal charges against them, resulting in warrants being issued for their arrest.

11. Defendants' Counsel of record was served with written notice of the Commission's application for entry of a default judgment in accordance with Federal Rule of Civil Procedure 55(b)(2). Defendants' Counsel received a copy of Plaintiff's MOTION FOR FINAL JUDGMENT UPON DEFAULT, INCLUDING

PERMANENT INJUNCTION, REDRESS, AND OTHER EQUITABLE RELIEF and related pleadings on or about June 28, 2005.

12. The factual allegations in the Commission's Complaint are taken as true against Defendants. Those allegations and the evidence supporting them establish that Defendants violated Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

13. Defendants are likely to continue to engage in the acts and practices alleged in the Complaint unless they are permanently enjoined from such acts or practices.

14. The Commission is entitled to equitable monetary relief against Defendants in the amount of four million four hundred forty-nine thousand two hundred twenty-nine dollars (\$4,449,229), for which Defendants are jointly and severally liable.

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

16. Entry of this Final Judgment is in the public interest.

17. Pursuant to Federal Rule of Civil Procedure 65(d), this Final Judgment is binding upon Defendants, their officers, agents, servants, employees, attorneys, corporations, successors and assigns, and upon those persons or entities

in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise.

18. This action is the “commencement or continuation of an action or proceeding by a governmental unit to enforce such governmental unit’s police or regulatory power,” as set forth in 11 U.S.C. § 362(b)(4). Any bankruptcy petition, voluntary or involuntary, does not automatically stay this action.

19. Any bankruptcy petition, voluntary or involuntary, does not divest this Court of jurisdiction to enter this Judgment.

## I.

### DEFINITIONS

For purposes of this Final Judgment, the following definitions shall apply:

- A. “Defendants” means Misty Stafford and William R. Stafford, and each of them, separately and individually.
- B. “Person” means an individual, sole proprietorship, partnership, corporation, limited liability company, or other entity, regardless of how organized or governed and regardless of whether it has an independent legal existence.

- C. “And” and “or” shall be construed both conjunctively or disjunctively to make the applicable sentence or phrase inclusive rather than exclusive.

## II.

### PROHIBITED MISREPRESENTATIONS

**IT IS ORDERED THAT**, in connection with soliciting persons for any employment or business opportunity or relationship, Defendants, whether acting directly or through any corporation, partnership, sole proprietorship, limited liability company, subsidiary, division, or other device, and their successors, assigns, agents, servants, and employees, and those persons or entities in active concert or participation with them who receive actual notice of this Judgment, by personal service or otherwise, are permanently restrained and enjoined from making any representation of material fact, directly or indirectly, expressly or by implication, that is false or misleading, including but not limited to:

- A. Misrepresenting that persons engaged in such employment or business opportunity or relationship are likely to earn substantial sums of money; and,

- B. Misrepresenting that the work required by the employment or business opportunity or relationship is simple and requires no special skills.

### III.

#### **PROHIBITED ACTIVITIES OF DEFENDANT WILLIAM R. STAFFORD**

**IT IS FURTHER ORDERED** that Defendant William R. Stafford is permanently restrained and enjoined from engaging or participating in, or assisting others who are engaging or participating in, with or without compensation or remuneration of any kind, any solicitation of, or contracting with, persons for any at-home employment or business opportunity. This prohibition includes, but is not limited to, (i) initiating or receiving such solicitations or entering into such contracts; (ii) operating or managing any person who initiates or receives such solicitations or enters into such contracts; (iii) owning or serving as an officer or director of a person that initiates or receives such solicitations; or (iv) otherwise working as an employee or independent contractor with, or serving as a consultant to, a person that initiates or receives such solicitations or enters into such contracts. For purposes of this Final Judgment, “at home-employment or business

opportunity” means a relationship in which an individual produces goods or provides services from his or her residence for any other person.

#### IV.

#### **PROHIBITION ON TRANSFERRING BUSINESS INFORMATION**

**IT IS FURTHER ORDERED** that Defendants, whether acting directly or through any corporation, partnership, sole proprietorship, limited liability company, subsidiary, division, or other device, and their successors, assigns, agents, servants, and employees, and those persons or entities in active concert or participation with them who receive actual notice of this Final Judgment, by personal service or otherwise, are permanently restrained and enjoined from selling, leasing, renting, transferring, or in any other way providing to any person, directly or indirectly, any trade secrets related to Defendant Misty Stafford d/b/a National Home Assemblers, including but not limited to scripts, advertisements, customer lists or other customer information, consumer lists or other consumer information, books, records, tapes, disks, accounting data, manuals, electronically stored data, banking records, invoices, telephone records, ledgers, payroll records, or other documents of any kind. **PROVIDED, HOWEVER**, that Defendants may disclose such information as may be necessary (1) to an attorney representing them

in connection with their activities doing business as National Home Assemblers; (2) to an accountant for purposes of preparing and filing required tax returns for calendar years 2004 and 2005; (3) to the FTC for purposes of administering the redress program described in Section V below; and (4) to a law enforcement agency or as required by law, regulation, or court order.

**V.**

**MONETARY RELIEF AND CONSUMER REDRESS**

- A. **IT IS FURTHER ORDERED** that judgment is hereby entered against Defendants, Misty Stafford and William R. Stafford, jointly and severally, in favor of the FTC, for equitable monetary relief in the amount of four million four hundred forty-nine thousand two hundred twenty-nine dollars (\$4,449,229), the minimum consumer injury in this matter.
- B. In partial satisfaction of this judgment,
1. Except as otherwise provided in this Section, the Receiver appointed in the **STIPULATED PRELIMINARY INJUNCTION WITH ASSET FREEZE, ACCOUNTING AND APPOINTMENT OF PERMANENT RECEIVER**, as amended,

(Stipulated Preliminary Injunction) entered February 14, 2005, shall take possession of all property of Defendants.

2. Any bank, financial institution, brokerage firm, other entity, or individual holding an account or property of Defendants shall deliver that account or that property to the Receiver appointed in the Stipulated Preliminary Injunction. Any bank, financial institution, brokerage firm, other entity, or individual may rely on a copy of this Judgment as authorization for making such delivery. **PROVIDED HOWEVER**, that any property of Defendants in the possession, custody, or control of the United States Postal Inspection Service or any other government agency, including but not limited to any financial institution account and the 2001 Itasca Sun Cruiser, may be, but need not be, delivered to the Receiver. The Receiver shall have the same rights and privileges as the Defendants with respect to any claims by any government agency against the property of the Receivership Defendant.
3. The Receiver shall liquidate sufficient property of the Receivership Defendant to pay the four million four hundred

forty-nine thousand two hundred twenty-nine dollars (\$4,449,229) monetary relief, plus interest and allowable costs, fees, and other litigation expenses (“Sum Awarded Plaintiff”), plus the costs of liquidating and administering the Receivership Defendant (including the Receiver’s fees and expenses allowed by the Court). This provision, however, shall not be interpreted to prevent the Receiver from liquidating all property of the Receivership Defendant.

4. Within ten (10) days after the liquidation in subsection 3 above and after the Court has set the costs of the Receivership Defendant, the Receiver shall transfer to the Commission sufficient funds to pay the Sum Awarded Plaintiff; **PROVIDED, HOWEVER**, that if the property of the Receivership Defendant is insufficient to pay all of the Sum Awarded Plaintiff, the Receiver shall deliver to the Commission all property of the Receivership Defendant remaining after payment of the costs of the Receivership Defendant.

5. Any property of the Receivership Defendant remaining after payment of the Sum Awarded Plaintiff and the costs of the Receivership Defendant shall be delivered to Defendants' attorney for delivery to Defendants.
  6. Nothing in this Final Judgment shall preclude the Commission from collecting any deficiency of the Receivership Defendant through any lawful means.
  7. The facts as alleged in the complaint filed in this action shall be taken as true, without further proof, in any subsequent litigation filed by the Commission to collect any unpaid amount or otherwise enforce its rights pursuant to this Order, including a nondischargeability action filed by or on behalf of the Commission in any bankruptcy case.
- C. All funds paid pursuant to this Order shall be deposited into a fund administered by the Commission or, in the Commission's sole discretion, by its agent, to be used for equitable relief, including but not limited to consumer redress, and any attendant expenses for the administration of such equitable relief. In the event that direct redress to consumers is wholly or partially impracticable or funds remain

after redress is completed, the Commission may apply any remaining funds for such other equitable relief (including consumer information remedies) as it determines to be reasonably related to defendants' practices alleged in the Complaint. Any funds not used for such equitable relief shall be deposited to the United States Treasury as disgorgement. Defendants shall have no right to challenge the Commission's choice of remedies under this Part, and shall have no right to contest the manner of distribution chosen by the Commission. No portion of any payments under the judgment herein shall be deemed a payment of any fine, penalty, or punitive assessment.

## **VI.**

### **ACKNOWLEDGMENT OF RECEIPT OF JUDGMENT BY DEFENDANTS**

**IT IS FURTHER ORDERED** that Defendants, within five (5) business days of receipt of this Final Judgment as entered by the Court, shall submit to the Commission truthful sworn statements acknowledging receipt of this Final Judgment.

## VII.

### RECORD KEEPING PROVISIONS

**IT IS FURTHER ORDERED** that, for a period of ten (10) years from the date of entry of this Final Judgment, Defendants and their agents, employees, corporations, successors, and assigns, and those persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise, are hereby restrained and enjoined from failing to create and retain the following records for any business in which Defendants, together or individually, hold 50% or more of the ownership interest or of which they are an officer, director, or general partner:

- A. Accounting records that reflect the cost of goods or services sold, revenues generated, and the disbursement of such revenues;
- B. Personnel records accurately reflecting the following: the name, address, and telephone number of each individual employed in any capacity, including as an independent contractor; the individual's job title or position; the date upon which the individual began work; and the date of and reason for the individual's termination, if applicable;
- C. Consumer files containing the names, addresses, telephone numbers, dollar amounts paid, quantity of items or services purchased, and a

description of items or services purchased, to the extent such information is obtained in the ordinary course of business;

- D. Complaints and refund requests (whether received directly, indirectly, or through any third party) and all responses to those complaints or 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 Final Judgment, including but not limited to, copies of acknowledgments of receipt of this Final Judgment, required by Section X of this Final Judgment, and all reports submitted to the Commission pursuant to Section VIII of this Final Judgment.

## **VIII.**

### **COMPLIANCE REPORTING BY DEFENDANTS**

**IT IS FURTHER ORDERED** that, to assist the FTC in monitoring Defendants' compliance with this Final Judgment:

- A. For seven (7) years from the date of entry of this Final Judgment,

1. Defendants, individually and separately, shall notify the Commission of the following:
  - a. Any changes in his or her residence, mailing address(es), or telephone number(s), within ten (10) days of the date of such change;
  - b. Any changes in his or her employment status (including self-employment status), and any change in his or her ownership of any business entity, within ten (10) days of such change. The notice shall include the name and address of each business that the Defendant is affiliated with, are employed by, creates, forms, or performs services for; a statement of the nature of the business; and a statement of Defendant's duties and responsibilities in connection with the business or employment; and
  - c. Any changes in Defendant's name or use of aliases or fictitious business names.
2. Defendants shall notify the Commission of any changes in business structure of any business entity that either Defendant

directly or indirectly controls, or has an ownership interest in, that may affect compliance obligations arising under this Order, including but not limited to dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor entity; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Order; the filing of a bankruptcy petition; or a change in business name or address, at least thirty (30) days before such change, **PROVIDED, HOWEVER,** that with respect to any proposed change in a business about which Defendants learn less than thirty (30) days before the date such action is to take place, Defendants shall notify the Commission as soon as is practicable after obtaining such knowledge.

- B. One hundred eighty (180) days after receipt of this Final Judgment as entered by the Court, Defendants shall provide a written report to the FTC, sworn to under penalty of perjury, setting forth in detail the manner and form in which they have complied and are complying

with this Final Judgment. This report shall include but not be limited to:

1. Separately, for each defendant:
    - a. The then-current residence address, mailing addresses, and telephone numbers of the Defendant;
    - b. The then-current employment and business addresses and telephone numbers of the Defendant, a description of the business activities of each employer or business, and the title and responsibilities of the Defendant, for each employer or business; and
    - c. Any other changes required to be reported under subparagraph A of this Section.
  2.
    - a. A copy of each acknowledgment of receipt of this Final Judgment obtained pursuant to Section X.
    - b. Any changes required to be reported under subparagraph A of this Section.
- C. For purposes of this Final Judgment, Defendants shall, unless otherwise directed by the Commission's authorized representative, send all written notices to the Commission to the following:

Director, East Central Region  
Federal Trade Commission  
Eaton Center, Suite 200  
1111 Superior Avenue  
Cleveland, OH 44114

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- D. For purposes of the compliance reporting and monitoring required by this Final Judgment, the Commission is authorized to communicate directly with Defendants unless Defendants provide the FTC, in writing, with the name, address, and telephone number of an attorney through whom the FTC may communicate.

## **IX.**

### **COMPLIANCE MONITORING**

**IT IS FURTHER ORDERED** that, for purposes of monitoring and investigating compliance with this Final Judgment,

- A. Within ten (10) days of receipt of a written notice from a representative of the Commission, Defendants shall submit additional written reports 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 in Defendants'

possession or direct or indirect control to inspect the business operation;

B. In addition, the Commission is authorized to monitor compliance with this Final Judgment by all other lawful means, including but not limited to the following:

1. Obtaining discovery from any person, without further leave of Court, using the procedures set forth in Federal Rules of Civil Procedure 30, 31, 33, 34, 36, and 45;
2. Posing as consumers and suppliers to Defendants, their employees, or any entity managed or controlled in whole or in part by Defendants, without the necessity of identification or prior notice;

C. Defendants shall permit representatives of the Commission to interview any employer, consultant, independent contractor, representative, agent, or employee who has agreed to such an interview, relating in any way to any conduct subject to this Final Judgment. The person interviewed may have his or her own counsel present.

**PROVIDED, HOWEVER,** that nothing in this Final Judgment shall limit 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, to obtain any documentary material, tangible things, testimony, or information relevant to unfair or deceptive acts or practices in or affecting commerce within the meaning of 15 U.S.C. § 45(a)(1).

**X.**

**DISTRIBUTION OF JUDGMENT BY DEFENDANTS**

**IT IS FURTHER ORDERED** that, for seven (7) years from the date of entry of this Judgment as directed below:

- A. Defendants as Control Persons: For any business that Defendants control, together or individually, directly or indirectly, or in which they have a majority ownership interest, together or individually, Defendants must deliver a copy of this Final Judgment to all principals, officers, directors, and managers of that business. Defendants must also deliver copies of this Final Judgment to all employees, agents, and representatives of that business who engage in conduct related to the subject matter of this Final Judgment. For current personnel, delivery shall be within five (5) days of service of this Final Judgment upon Defendants. For new personnel, delivery shall occur before they assume their responsibilities.

- B. Defendants as employees or non-control persons: For any business in which Defendants, together or jointly, are not controlling persons but otherwise engage in conduct related to the subject matter of this Judgment, Defendants must deliver a copy of this Final Judgment to all principals and managers of such business before engaging in such conduct.
- C. Defendants must secure a signed and dated statement acknowledging receipt of the Final Judgment, within thirty (30) days of delivery, from all persons receiving a copy of the Final Judgment pursuant to this Section.

## **XI.**

### **INDEPENDENCE OF OBLIGATIONS**

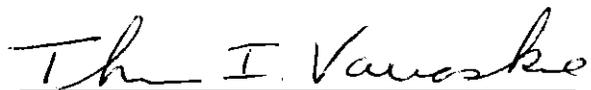
**IT IS FURTHER ORDERED** that the expiration of any requirement imposed by this Final Judgment shall not affect any other requirement created by this Final Judgment.

**XII.**

**RETENTION OF JURISDICTION**

**IT IS FURTHER ORDERED** that this Court shall retain jurisdiction of this matter for all purposes, including construction, modification, and enforcement.

**ENTERED** this 14<sup>th</sup> day of September, 2005.



THOMAS I. VANASKIE, Chief Judge  
United States District Court  
Middle District of Pennsylvania