

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

Case No. 10-21788-Civ-COOKE/BANDSTRA

FEDERAL TRADE COMMISSION,

Plaintiff

vs.

FEREIDOUN “FRED” KHALILIAN, *et. al.*,

Defendants.

_____ /

**ORDER ENTERING STIPULATED PERMANENT INJUNCTION
AGAINST FEREIDOUN “FRED” KHALILIAN AND
THE DOLCE GROUP WORLDWIDE, LLC**

THIS MATTER is before the Court upon the Joint Motion for Entry of Stipulated Permanent Injunction (ECF No. 87), filed on November 24, 2010.

On June 2, 2010, Plaintiff Federal Trade Commission (“FTC” or “Commission”) filed a Complaint in this matter for consumer redress and injunctive and other equitable relief (“Complaint”) pursuant to Sections 5 and 13 of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 45, 53, charging violations of the FTC Act in connection with the marketing of extended automobile warranties.

The Court, having reviewed the Motion and being advised fully in the premises, hereby ORDERS and ADJUDGES as follows:

FINDINGS

1. This Court has jurisdiction over the subject matter and the parties pursuant to 28 U.S.C. §§ 1331 and 1337(a), and 15 U.S.C. § 53(b).
2. Venue is proper as to all parties in this District.

3. Defendants' activities are in or affecting commerce, as defined in Section 4 of the FTC Act, 15 U.S.C. § 44.
4. The Complaint states a claim upon which relief may be granted under Section 5 of the FTC Act, 15 U.S.C. § 45.
5. Defendants do not admit any allegations in the Complaint, and without any admission or finding of liability, except for facts necessary to establish jurisdiction, the admissions in their Answer, and as otherwise specifically stated in this Order.

DEFINITIONS

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

1. "Assets" means any legal or equitable interest in, right to, or claim to, any and all real and personal property of Defendants, or held for the benefit of Defendants, including but not limited to chattel, goods, instruments, equipment, fixtures, general intangibles, effects, leaseholds, inventory, checks, notes, accounts, credits, receivables, shares of stock, contracts, and all cash and currency, or other assets, or any interest therein, wherever located.
2. "Corporate Defendant" means The Dolce Group Worldwide, LLC, also d/b/a My Car Solutions, Insurance Cost Direct, and Icost Direct, and their successors and assigns.
3. "Defendants" means Defendant Khalilian and the Corporate Defendant.
4. "Plaintiff" or "Commission" or "FTC" means the Federal Trade Commission.
5. "Receiver" means David R. Chase, Esq., the receiver appointed by the Court in Section VII of the TRO issued on June 2, 2010. The term "Receiver" also includes any deputy receivers, including Deputy Receiver Robert Carey, Esq., or agents as may be named by the Receiver.
6. "Telemarketing" means a plan, program, or campaign that 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 Telemarketing Sales Rule, 16 C.F.R. § 310.

**I.
BAN ON TELEMARKETING**

IT IS FURTHER ORDERED that Defendants are permanently restrained and enjoined from engaging or participating in telemarketing, whether directly or through an intermediary, including, but not limited to, by consulting, brokering, planning, investing, or advising.

**II.
PROHIBITED BUSINESS ACTIVITIES**

IT IS FURTHER ORDERED that Defendants, their officers, agents, servants, contractors, and employees, and those persons or entities in active concert or participation with them who receive actual notice of this Order by personal service or otherwise, whether acting directly or through any intermediary, are hereby permanently restrained and enjoined from making, or assisting others in making, expressly or by implication, any false or misleading material representation or omission of any material fact in connection with the advertising, marketing, offering for sale, or sale of any goods or services, including, but not limited to:

- A. Misrepresenting that Defendants are affiliated with or are consumers' auto dealers or manufacturers;
- B. Misrepresenting that Defendants know that consumers' original auto warranties are about to expire;
- C. Misrepresenting that Defendants sell extensions of consumers' original auto warranties;
- D. Misrepresenting that the products Defendants sell provide complete and/or specified coverage for automobile repair;
- E. Misrepresenting that consumers will receive free goods or services;

F. Misrepresenting that the price quoted to a consumer in a sales solicitation is the total cost to purchase, receive, or use the goods or services; and

G. Failing to disclose in a clear and conspicuous manner the conditions and restrictions to purchase, receive, or use the goods or services.

III. MONETARY JUDGMENT

IT IS HEREBY ORDERED that:

A. Judgment for the Commission in the amount of \$4,255,209 is entered against Defendants, jointly and severally, plus interest computed from the date of entry of this Order pursuant to 28 U.S.C. § 1961. The judgment is immediately due and payable.

B. The Commission is authorized to execute upon the judgment immediately and engage in discovery in aid of the judgment or execution, without further leave of court, pursuant to Fed. R. Civ. P. 69.

C. The judgment set forth in Paragraph A of this Section shall be offset by funds turned over to the Commission or its designated agent:

1. by the Receiver pursuant to Section IV of this Order; or
2. by any other source, including funds recovered in *FTC v. Asia Pacific*

Telecom, et. al, Civ. Case No. 10 C 3168 (N.D. Ill.), which funds the Commission designates to redress consumers who purchased extended automobile warranties from Defendants.

D. Defendants relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law. Defendants shall make no claim to or demand for return of the funds, directly or indirectly, through counsel or otherwise.

E. Any funds received by the FTC pursuant to this Section shall be deposited into a fund administered by the FTC or its representative to be used for consumer redress, including

any attendant expenses for the administration of such a redress fund. 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 equitable relief (including consumer information remedies) as it determines to be reasonably related to Defendants' practices alleged in the Complaint. Any funds not so used shall be deposited to the U.S. Treasury as equitable disgorgement. Defendants shall have no right to challenge the FTC's choice of remedies or the manner of distribution.

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

IV. COMPLETION OF RECEIVERSHIP

IT IS FURTHER ORDERED, that the Receiver shall continue to exercise full control of the Corporate Defendant and operate under all prior orders of the Court and:

A. The Receiver is directed to, within 45 days of the date of this Order, unless good cause is shown to extend the receivership beyond 45 days, file and serve on the parties a final report ("Final Report") and request for fees and expenses. The Final Report shall include the total amount of funds in the receivership estate. Any party may object within 15 days of receipt of the Final Report. Upon submission of the Final Report or upon this Court's Order for final

payment, whichever is later, the Receivership shall terminate.

B. The Receiver is directed to transfer, after payment of the Receiver's compensation and expenses, all remaining funds of the receivership estate to the Commission, or its designee or agent, by wire transfer in accordance with directions provided by the Commission.

**V.
COMPENSATION OF THE RECEIVER**

IT IS FURTHER ORDERED that the Receiver and those it employs are entitled to reasonable compensation for the performance of their duties pursuant to this Order and for the costs of actual out-of-pocket expenses incurred by them, from the receivership estate.

**VI.
COOPERATION WITH RECEIVER**

IT IS FURTHER ORDERED, that Defendants shall cooperate fully with the Receiver in: (A) pursuing any and all claims by the Receiver against other persons or entities; (B) assisting the Receiver in defending any and all actions or claims brought against the Receiver, the receivership estate, or the Corporate Defendant by other persons or entities; (C) executing any documents necessary to transfer assets or ownership interests to the Receiver; and (D) refraining from any act that would interfere or impede the Receiver in execution of the performance of its duties.

**VII.
LIFTING OF THE ASSET FREEZE**

IT IS FURTHER ORDERED that the freeze of Defendants' assets shall remain in effect, except as necessary for the Receiver to liquidate all receivership assets, until all receivership assets have been transferred to the Commission and the Receiver winds up all activities and operations of the Corporate Defendant pursuant to Section IV at which time the

asset freeze shall be lifted.

Provided, however, that Defendants may transfer assets to the Commission pursuant to Section III.

VIII. COMPLIANCE MONITORING

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

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

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

1. obtaining discovery from any person, without further leave of court, using the procedures prescribed by Fed. R. Civ. P. 30, 31, 33, 34, 36, 45 and 69;
2. having its representatives pose as consumers and suppliers to Defendants, their employees, or any other entity managed or controlled in whole or in part by any Defendant, without the necessity of identification or prior notice; and

C. Defendants each 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 Order. The person interviewed may have counsel present.

Provided however, that nothing in this Order 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)).

**IX.
COMPLIANCE REPORTING**

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

- A. For a period of seven (7) years from the date of entry of this Order,
 1. Defendant Khalilian shall notify the Commission of the following:
 - a. Any changes in his residences, mailing addresses, and telephone numbers, within ten (10) days of the date of such change;
 - b. Any changes in his employment status (including self-employment), and any change in his ownership in any business entity within ten (10) days of the date of such change. Such notice shall include the name and address of each business that he is affiliated with, is employed by, creates, forms, or performs services for; a detailed description of the nature of the business; and a detailed description of his duties and responsibilities in connection with the business or employment; and
 - c. Any changes in his name or use of any aliases or fictitious names within ten (10) days of the date of such change;
 2. Defendants shall notify the Commission of any business entity or changes

in structure of any business entity that any 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: incorporation or other organization; a dissolution, assignment, sale, merger, or other action; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Order; or a change in the business name or address, at least thirty (30) days prior to such change, provided that, with respect to any such change in the business entity about which a Defendant learns less than thirty (30) days prior to the date such action is to take place, such Defendant shall notify the Commission within ten (10) days after obtaining such knowledge.

B. One hundred eighty (180) days after the date of entry of this Order and annually thereafter for a period of seven (7) years, each Defendant shall provide a written report to the FTC, which is true and accurate and sworn to under penalty of perjury, setting forth in detail the manner and form in which they have complied and are complying with this Order. This report shall include, but not be limited to:

1. For Defendant Khalilian:
 - a. His then-current residence address, mailing addresses, and telephone numbers;
 - b. His then-current employment status (including self-employment), including the name, addresses, and telephone numbers of each business that he is affiliated with, employed by, or performs services for; a detailed description of the nature of the business; and a detailed description of his duties and responsibilities in connection with the business or

employment; and

c. Any other changes required to be reported under Subsection A of this Section.

2. For all Defendants:

a. A copy of each acknowledgment of receipt of this Order, obtained pursuant to the Section titled "Distribution of Order;" and

b. Any other changes required to be reported under Subsection A of this Section.

C. Each Defendant shall notify the Commission of the filing of a bankruptcy petition by them or by any business entity that any Defendant directly or indirectly controls, or has an ownership interest in within fifteen (15) days of filing.

D. For the purposes of this Order, Defendants shall, unless otherwise directed by the Commission's authorized representatives, send by overnight courier (not the U.S. Postal Service) all reports and notifications to the Commission that are required by this Order to:

Associate Director for Enforcement
Bureau of Consumer Protection
Federal Trade Commission
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580
RE: *FTC v. Khalilian, et al.*, Matter No. X100037

Provided that, in lieu of overnight courier, Defendants may send such reports or notifications by first-class mail, but only if Defendants contemporaneously send an electronic version of such report or notification to the Commission at DEbrief@ftc.gov.

E. For purposes of the compliance reporting and monitoring required by this Order, the Commission is authorized to communicate directly with Defendants.

X.
RECORD KEEPING

IT IS FURTHER ORDERED that, for a period of ten (10) years from the date of entry of this Order, Defendants, for any business for which they, individually or collectively, are the majority owners or directly or indirectly control, are hereby restrained and enjoined from failing to create and retain the following records:

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 name, address, and telephone number of each person employed in any capacity by such business, including as an independent contractor; that person's job title or position; the date upon which the person commenced work; and the date and reason for the person's termination, if applicable;

C. Customer files containing the names, addresses, phone numbers, dollar amounts paid, quantity of items or services purchased, and 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 or indirectly, such as through a third party,) and any responses to those complaints or requests;

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

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

**XI.
CUSTOMER INFORMATION**

IT IS FURTHER ORDERED that Defendants, and their officers, agents, servants, employees, attorneys, and all other persons in active concert or participation with any of them who receive actual notice of this Order by personal service or otherwise, are permanently restrained and enjoined from:

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), of any person which any Defendant obtained prior to entry of this Order in connection with billing charges to any telephone bill; and

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

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

**XII.
DISTRIBUTION OF ORDER**

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

A. Corporate Defendant: Corporate Defendant must deliver a copy of this Order to (1) all of their principals, officers, directors, and managers; (2) all of their employees, agents, and representatives who engage in conduct related to the subject matter of the Order; and (3) any business entity resulting from any change in structure set forth in Subsection A.2 of the Section titled "Compliance Reporting." For current personnel, delivery shall be within five (5) days of service of this Order upon such Defendant. For new personnel, delivery shall occur prior to them assuming their responsibilities. For any business entity resulting from any change in structure set forth in Subsection A.2 of the Section titled "Compliance Reporting," delivery shall be at least ten (10) days prior to the change in structure.

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

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

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

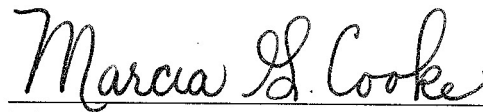
**XIII.
ACKNOWLEDGMENT OF RECEIPT OF ORDER**

IT IS FURTHER ORDERED that within five (5) business days of receipt of this Order as entered by the Court, Defendants must submit to the Commission a truthful sworn statement acknowledging receipt of this Order.

**XIV.
RETENTION OF JURISDICTION**

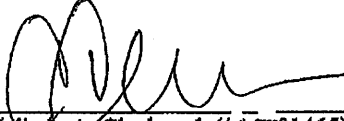
IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this matter for purposes of construction, modification, and enforcement of this Order.

DONE and ORDERED in chambers, at Miami, Florida, this 6th day of January 2011.



MARCIA G. COOKE
United States District Judge

SO STIPULATED:



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Carmen L. Christopher (#A5501466)
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**FEREIDOUN KHALILIAN and THE
DOLCE GROUP WORLDWIDE, LLC**