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14 UNITED STATES DISTRICT COURT
15 CENTRAL DISTRICT OF CALIFORNIA

16 FEDERAL TRADE COMMISSION,
17 Plaintiff,
18 v.
19 CONSUMER ADVOCATES GROUP
20 EXPERTS, LLC, a California limited
21 liability company, also d.b.a. Consumer
22 Advocates Group;
23 PARAMOUNT ASSET
24 MANAGEMENT CORP., a California
25 Corporation, also d.b.a. National
26 Financial Rescue Corp., National
27 Financial Rescue Group, and American
28 Forensic Loan Auditors;
ADVOCATES FOR CONSUMER
AFFAIRS EXPERT, LLC, a California
Limited Liability Company; and
RYAN ZIMMERMAN,
Defendants.

Case No. CV 12-04736 DD P.

~~PROPOSED~~ EX PARTE
TEMPORARY RESTRAINING
ORDER WITH ASSET FREEZE,
APPOINTMENT OF
TEMPORARY RECEIVER,
EXPEDITED DISCOVERY, AND
OTHER EQUITABLE RELIEF,
AND ORDER TO SHOW CAUSE
WHY PRELIMINARY
INJUNCTION SHOULD NOT
ISSUE

1 Plaintiff Federal Trade Commission ("FTC"), pursuant to Sections 13(b) and
2 19 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 53(b) and 57b,
3 and the 2009 Omnibus Appropriations Act, Public Law 111-8, Section 626, 123 Stat.
4 524, 678 (Mar. 11, 2009) ("Omnibus Act"), as clarified by the Credit Card
5 Accountability Responsibility and Disclosure Act of 2009, Public Law 111-24,
6 Section 511, 123 Stat. 1734, 1763-64 (May 22, 2009) ("Credit Card Act"), and
7 amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act,
8 Public Law 111-203, Section 1097, 124 Stat. 1376, 2102-03 (July 21, 2010) ("Dodd-
9 Frank Act"), has filed a Complaint for preliminary and permanent injunctive relief,
10 rescission or reformation of contracts, restitution, the refund of monies paid,
11 disgorgement of ill-gotten monies, and other equitable relief for Defendants' acts or
12 practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the
13 Mortgage Assistance Relief Services Rule, 16 C.F.R. Part 322 (effective December
14 29, 2010, except for Section 322.5, which became effective on January 31, 2011),
15 recodified as Mortgage Assistance Relief Services (Regulation O), 12 C.F.R. Part
16 1015 ("Regulation O") (effective December 30, 2011) ("MARS Rule"), in
17 connection with the marketing and sale of mortgage assistance relief services, and
18 applied for a temporary restraining order pursuant to Rule 65(b) of the Federal Rules
19 of Civil Procedure.
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23 FINDINGS OF FACT

24 This Court, having considered the FTC's Complaint, *ex parte* application,
25 declarations, exhibits, and memoranda filed in support of the FTC's application, and
26 the evidence presented by all parties, finds that:

- 27 1. This Court has jurisdiction over the subject matter of this case, there is
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1 good cause to believe it will have jurisdiction over all the parties hereto, and venue in
2 this district is proper.

3 2. There is good cause to believe that Defendants Consumer Advocates
4 Group Experts, LLC, Paramount Asset Management Corp., Advocates for Consumer
5 Affairs Expert, LLC, and Ryan Zimmerman (collectively "Defendants") have
6 engaged and are likely to continue to engage in acts or practices that violate Section
7 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the MARS Rule and that the FTC is
8 therefore likely to prevail on the merits of this action.
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10 3. There is good cause to believe that immediate and irreparable harm will
11 result from Defendants' ongoing violations of Section 5(a) of the FTC Act and the
12 MARS Rule unless Defendants are restrained and enjoined by Order of this Court.
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14 4. There is good cause to believe that immediate and irreparable damage to
15 the Court's ability to grant effective final relief for consumers in the form of
16 monetary restitution and disgorgement of ill-gotten gains will occur from the
17 transfer, dissipation, or concealment by Defendants of their assets or business
18 records unless Defendants continue to be restrained and enjoined by Order of this
19 Court; and that in accordance with Fed. R. Civ. P. 65(b), the interest of justice
20 requires that the FTC's application be heard *ex parte* without prior notice to
21 Defendants. Therefore, there is good cause for relieving the FTC of the duty to
22 provide Defendants with prior notice of the FTC's application.
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24 5. Good cause exists for appointing a temporary receiver over Corporate
25 Defendants Consumer Advocates Group Experts, LLC, Paramount Asset
26 Management Corp., and Advocates for Consumer Affairs Expert, LLC; permitting
27 the FTC immediate access to Defendants' business premises; and permitting the FTC
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1 to take expedited discovery.

2 6. Weighing the equities and considering the FTC's likelihood of ultimate
3 success, a temporary restraining order with an asset freeze, expedited discovery as to
4 the existence and location of assets and documents, and other equitable relief is in
5 the public interest.
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7 7. No security is required of any agency of the United States for issuance
8 of a restraining order. Fed. R. Civ. P. 65.

9 **ORDER**

10 **DEFINITIONS**

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

12 A. "Assets" means any legal or equitable interest in, right to, or claim to,
13 any real, personal, or intellectual property of any Defendant, or held for the benefit
14 of any Defendant, wherever located, whether in the United States or abroad,
15 including, but not limited to, chattel, goods, instruments, equipment, fixtures, general
16 intangibles, effects, leaseholds, contracts, mail or other deliveries, shares of stock,
17 commodities, futures, inventory, checks, notes, accounts, credits, receivables (as
18 those terms are defined in the Uniform Commercial Code), cash, and trusts,
19 including but not limited to any trust held for the benefit of any Defendant, any of
20 the Individual Defendant's minor children, or any of the Individual Defendant's
21 spouses, and shall include both existing assets and assets acquired after the date of
22 entry of this Order.
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24 B. "Corporate Defendants" means Consumer Advocates Group Experts,
25 LLC, Paramount Asset Management Corp., and Advocates for Consumer Affairs
26 Expert, LLC, and their successors, assigns, affiliates, or subsidiaries, and each of
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1 them by whatever names each might be known.

2 C. "Defendants" means the Individual Defendant and all of the Corporate
3 Defendants, individually, collectively, or in any combination, and each of them by
4 whatever names each might be known.

5 D. "Document" and "Electronically Stored Information" are synonymous
6 in meaning and equal in scope to the usage of the terms in Rule 34(a) of the Federal
7 Rules of Civil Procedure and include but are not limited to:

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9 1. The original or a true copy of any written, typed, printed, electronically
10 stored, transcribed, taped, recorded, filmed, punched, or graphic matter or
11 other data compilations of any kind, including, but not limited to, letters, email
12 or other correspondence, messages, memoranda, interoffice communications,
13 notes, reports, summaries, manuals, magnetic tapes or discs, tabulations,
14 books, records, checks, invoices, work papers, journals, ledgers, statements,
15 returns, reports, schedules, or files; and

16
17 2. Any electronically stored information stored on any Blackberrys, flash
18 drives, personal digital assistants ("PDAs"), desktop personal computer and
19 workstations, laptops, notebooks, and other portable computers, or other
20 electronic storage media, whether assigned to individuals or in pools of
21 computers available for shared use, or personally owned but used for work-
22 related purposes; backup disks and tapes, archive disks and tapes, and other
23 forms of offline storage, whether stored onsite with the computer used to
24 generate them, stored offsite in another company facility, or stored, hosted, or
25 otherwise maintained offsite by a third-party; and computers and related
26 offline storage used by Defendants or Defendants' participating associates,
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1 which may include persons who are not employees of the company or who do
2 not work on company premises.

3 E. "Electronic Data Host" means any person or entity that stores, hosts, or
4 otherwise maintains electronically stored information.

5 F. "Financial institution" means any bank, savings and loan institution,
6 credit union, or any financial depository of any kind, including, but not limited to,
7 any brokerage house, trustee, broker-dealer, escrow agent, title company, commodity
8 trading company, or precious metal dealer.

9 G. "Individual Defendant" means Ryan Zimmerman and any other names
10 by which he might be known.

11 H. "Material fact" means any fact that is likely to affect a person's choice
12 of, or conduct regarding, goods or services.

13 I. "Mortgage assistance relief product or service" means any product,
14 service, plan, or program, offered or provided to the consumer in exchange for
15 consideration, that is represented, expressly or by implication, to assist or attempt to
16 assist the consumer with any of the following:

- 17 1. stopping, preventing, or postponing any mortgage or deed of trust
18 foreclosure sale for the consumer's dwelling, any repossession of the
19 consumer's dwelling, or otherwise saving the consumer's dwelling from
20 foreclosure or repossession;
 - 21 2. negotiating, obtaining, or arranging a modification of any term of a
22 dwelling loan, including a reduction in the amount of interest, principal
23 balance, monthly payments, or fees;
 - 24 3. obtaining any forbearance or modification in the timing of payments
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1 from any dwelling loan holder or servicer on any dwelling loan;

2 4. negotiating, obtaining, or arranging any extension of the period of time
3 within which the consumer may (i) cure his or her default on a dwelling loan,
4 (ii) reinstate his or her dwelling loan, (iii) redeem a dwelling, or (iv) exercise
5 any right to reinstate a dwelling loan or redeem a dwelling;
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7 5. obtaining any waiver of an acceleration clause or balloon payment
8 contained in any promissory note or contract secured by any dwelling; or

9 6. negotiating, obtaining, or arranging (i) a short sale of a dwelling, (ii) a
10 deed-in-lieu of foreclosure, (iii) or any other disposition of a dwelling loan
11 other than a sale to a third party that is not the dwelling loan holder.

12 The foregoing shall include any manner of claimed assistance, including, but not
13 limited to, auditing or examining a consumer's mortgage or home loan application
14 and offering to provide or providing legal services.
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16 J. "Person" means any individual, group, unincorporated association,
17 limited or general partnership, corporation, or other business entity.

18 K. "Receivership Defendants" means Consumer Advocates Group Experts,
19 LLC, Paramount Asset Management Corp., and Advocates for Consumer Affairs
20 Expert, LLC, and their successors, assigns, affiliates, or subsidiaries, and each of
21 them by whatever names each might be known, provided that the Receiver has
22 reason to believe they are owned or controlled in whole or in part by any of the
23 Defendants.
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25 L. The words "and" and "or" shall be understood to have both conjunctive
26 and disjunctive meanings as necessary to make the applicable phrase or sentence
27 inclusive rather than exclusive.
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I.

PROHIBITED REPRESENTATIONS

IT IS THEREFORE ORDERED that Defendants and their officers, agents, servants, employees, and attorneys, and those persons or entities in active concert or participation with any of them who receive actual notice of this Order by personal service, facsimile transmission, email, or otherwise, whether acting directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, marketing, promotion, offering for sale, sale, or performance of any mortgage assistance relief product or service, are hereby temporarily restrained and enjoined from falsely representing, or from assisting others who are falsely representing, expressly or by implication, any of the following:

A. that any Defendant or any other person:

1. generally will obtain for consumers mortgage loan modifications that will make consumers' payments substantially more affordable,
2. as a result of a loan audit, generally will obtain for consumers mortgage loan modifications that will make consumers' payments substantially more affordable;
3. will give refunds to consumers if the Defendant fails to obtain a mortgage loan modification;

B. The degree of success that any Defendant or any other person has had in performing any mortgage assistance relief service;

C. The nature of any Defendant's or any other person's relationship with any mortgage loan holder or servicer, or other secured or unsecured lender;

D. The amount of time it will take or is likely to take to obtain or arrange a

1 renegotiation, settlement, modification, or other alteration of the terms of any
2 secured or unsecured debt, including but not limited to the modification of any term
3 of a consumer's home loan, deed of trust, or mortgage, including any recapitalization
4 or reinstatement agreement;

5 E. The consumer's obligation to make scheduled periodic payments or any
6 other payments pursuant to the terms of the consumer's dwelling loan;

7 F. The amount of money or percentage of the debt amount that a consumer
8 may save by using the mortgage assistance relief service; and

9 G. The refund policy of any Defendant or any other person, including but
10 not limited to the likelihood of a consumer obtaining a full or partial refund, or the
11 circumstances in which a full or partial refund will be granted to the consumer.
12

13 **II.**

14 **REPRESENTATIONS PROHIBITED AND DISCLOSURES REQUIRED BY**
15 **MARS RULE**

16 IT IS FURTHER ORDERED that Defendants and their officers, agents,
17 servants, employees, and attorneys, and those persons or entities in active concert or
18 participation with any of them who receive actual notice of this Order by personal
19 service or otherwise, whether acting directly or through any corporation, subsidiary,
20 division, or other device, in connection with the advertising, marketing, promotion,
21 offering for sale, sale, or performance of any good or service, are hereby temporarily
22 restrained and enjoined from engaging in, or assisting others in engaging in, the
23 following conduct:
24

25 A. Representing, expressly or by implication, that a consumer cannot or
26 should not contact or communicate with his or her lender or servicer, in violation of
27 12 C.F.R. § 1015.3(a);
28

1 B. Making any representation, expressly or by implication, about the
2 benefits, performance, or efficacy of any mortgage assistance relief service unless, at
3 the time such representation is made, the Defendants possess and/or rely upon
4 competent and reliable evidence that substantiates that the representation is true,
5 including, but not limited to, representations regarding:
6

- 7 1. The amount of time it will take the mortgage assistance relief service
8 provider to accomplish any represented service or result; and
- 9 2. The amount of money or the percentage of the debt amount that a
10 consumer may save by using the mortgage assistance relief service, in
11 violation of 12 C.F.R. § 1015.3(c);

12 C. Failing to make the following disclosure in all general and consumer-
13 specific commercial communications: “[Name of Company] is not associated with
14 the government, and our service is not approved by the government or your lender,”
15 in violation of 12 C.F.R. § 1015.4(a)(1) & 1015.4(b)(2);
16

17 D. Failing to make the following disclosure in all general and consumer-
18 specific commercial communications: “Even if you accept this offer and use our
19 service, your lender may not agree to change your loan,” in violation of 12 C.F.R.
20 § 1015.4(a)(2) & 1015.4(b)(3);
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22 E. Failing to make the following disclosure in all consumer-specific
23 commercial communications: “You may stop doing business with us at any time.
24 You may accept or reject the offer of mortgage assistance we obtain from your
25 lender [or servicer]. If you reject the offer, you do not have to pay us. If you accept
26 the offer, you will have to pay us [insert amount or method for calculating the
27 amount] for our services.” For the purposes of this section, the amount “you will
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1 have to pay” shall consist of the total amount the consumer must pay to purchase,
2 receive, and use all of the mortgage assistance relief services that are the subject of
3 the sales offer, including but not limited to, all fees and charges, in violation of 12
4 C.F.R. § 1015.4(b)(1);

5 F. Failing, in all general commercial communications, consumer-specific
6 commercial communications, and other communications in cases where any
7 Defendant or person has represented, expressly or by implication, in connection with
8 the advertising, marketing, promotion, offering for sale, sale, or performance of any
9 mortgage assistance relief service, that the consumer should temporarily or
10 permanently discontinue payments, in whole or in part, on a dwelling loan, to place
11 clearly and prominently, and in close proximity to any such representation the
12 following disclosure: “If you stop paying your mortgage, you could lose your home
13 and damage your credit rating,” in violation of 12 C.F.R. § 1015.4(c).
14

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16 **III.**

17 **PROHIBITION ON COLLECTION OF ADVANCE FEES**

18 **IT IS FURTHER ORDERED** that Defendants and their officers, agents,
19 servants, employees, and attorneys, and those persons or entities in active concert or
20 participation with any of them who receive actual notice of this Order by personal
21 service or otherwise, whether acting directly or through any corporation, subsidiary,
22 division, or other device, in connection with the advertising, marketing, promotion,
23 offering for sale, sale, or performance of any mortgage assistance relief service, are
24 hereby temporarily restrained and enjoined from asking for or receiving payment
25 before consumers have executed a written agreement between the consumer and the
26 loan holder or servicer that incorporates the offer obtained by Defendants.
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IV.

PRESERVATION OF RECORDS AND TANGIBLE THINGS

IT IS FURTHER ORDERED that Defendants and their officers, agents, servants, employees, and attorneys, and those persons or entities in active concert or participation with any of them who receive actual notice of this Order by personal service, facsimile transmission, email, or otherwise, whether acting directly or through any corporation, subsidiary, division, or other device, are hereby temporarily enjoined from destroying, erasing, mutilating, concealing, altering, transferring, or otherwise disposing of, in any manner, directly or indirectly, any documents or records that relate to the business practices, or business or personal finances, of Defendants, or other entity directly or indirectly under the control of Defendants.

V.

DISABLEMENT OF WEB SITES

IT IS FURTHER ORDERED that, immediately upon service of the Order upon them and pending determination of the FTC's request for a preliminary injunction, (1) any person hosting any Internet website for, or on behalf of, any Defendant, and (2) Defendants and their officers, agents, servants, employees, and attorneys, and those persons or entities in active concert or participation with any of them who receive actual notice of this Order by personal service or otherwise, whether acting directly or through any corporation, subsidiary, division, or other device, shall:

A. Immediately do whatever is necessary to ensure that any Internet website used by Defendants for the advertising, marketing, promotion, offering for sale, sale, or performance of any mortgage assistance relief service, including but not

1 limited to www.consumer-advocates-group.com and www.aca-portal.com, and
2 containing statements or representations prohibited by Sections I and II of this Order
3 cannot be accessed by the public;

4 B. Prevent the destruction or erasure of any Internet website used by
5 Defendants for the advertising, marketing, promotion, offering for sale, sale, or
6 performance of any mortgage assistance relief service, by preserving such website in
7 the format in which it is maintained currently; and

8 C. Immediately notify in writing counsel for the FTC of any other Internet
9 website operated or controlled by any Defendant not listed in Subsections V.A or B
10 above.

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12 **VI.**

13 **SUSPENSION OF INTERNET DOMAIN NAME REGISTRATIONS**

14 **IT IS FURTHER ORDERED** that, pending determination of the FTC's request for
15 a preliminary injunction, any domain name registrar shall suspend the registration of
16 any Internet website used by Defendants for the advertising, marketing, promotion,
17 offering for sale, sale, or performance of any mortgage assistance relief service, and
18 containing statements or representations prohibited by Sections I and II of this Order,
19 including, but not limited to www.consumer-advocates-group.com and www.aca-
20 portal.com, and provide immediate notice to counsel for the FTC of any other
21 Internet domain names registered or controlled by any Defendants.

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23 **VII.**

24 **ASSET FREEZE**

25 **IT IS FURTHER ORDERED** that Defendants, and their officers, agents,
26 servants, employees, and attorneys, and all persons or entities directly or indirectly
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1 under the control of any of them, including any financial institution, and all other
2 persons or entities in active concert or participation with any of them who receive
3 actual notice of this Order by personal service, facsimile, email, or otherwise, are
4 hereby temporarily restrained and enjoined from directly or indirectly:

5 A. Selling, liquidating, assigning, transferring, converting, loaning,
6 hypothecating, disbursing, gifting, conveying, encumbering, pledging, concealing,
7 dissipating, spending, withdrawing, or otherwise disposing of any funds, real or
8 personal property, or other assets or any interest therein, wherever located, including
9 any assets outside the territorial United States, that are:

- 11 1. in the actual or constructive possession of any Defendant;
- 12 2. owned or controlled by, or held, in whole or in part for the benefit of, or
13 subject to access by, or belonging to, any Defendant; or in the actual or
14 constructive possession of, or owned or controlled by, or subject to
15 access by, or belong to, any corporation, partnership, trust or other
16 entity directly or indirectly owned, managed or under the control of any
17 Defendant;

18 B. Opening, or causing to be opened, any safe deposit boxes titled in the
19 name of any Defendant, or subject to access by any Defendant;

20 C. Incurring charges on any credit card, stored value card, debit card or
21 charge card issued in the name, singly or jointly, of any Defendant or any other
22 entity directly or indirectly owned, managed or controlled by any Defendant;

23 D. Obtaining a personal or secured loan; or

24 E. Cashing any checks from consumers, clients, or customers of any
25 Defendant.

1 F. The funds, property, and assets affected by this Section shall include:

2 (a) all assets of each Defendant as of the time this Order is entered, and (b) those
3 assets obtained or received after entry of this Order that are derived from the actions
4 alleged in Plaintiff's Complaint. This Section does not prohibit transfers to the
5 Receiver, as specifically required in Section XVII (Delivery of Receivership
6 Property), nor does it prohibit the Repatriation of Foreign Assets, as specifically
7 required in Section XI of this Order.
8

9 **VIII.**

10 **RETENTION OF ASSETS AND DOCUMENTS BY THIRD PARTIES**

11 **IT IS FURTHER ORDERED** that, pending determination of the FTC's
12 request for a preliminary injunction, any financial or brokerage institution, business
13 entity, electronic data host, or person served with a copy of this Order that holds,
14 controls, or maintains custody of any account, document, electronically stored
15 information, or asset of, on behalf of, in the name of, for the benefit of, subject to
16 withdrawal by, subject to access or use by, or under the signatory power of any
17 Defendant or other party subject to Section VII above, or has held, controlled, or
18 maintained any such account, document, electronically stored information, or asset at
19 any time since January 1, 2009, shall:
20

21 A. Hold, preserve, and retain within such entity's or person's control, and
22 prohibit the withdrawal, removal, alteration, assignment, transfer, pledge,
23 hypothecation, encumbrance, disbursement, dissipation, conversion, sale, liquidation,
24 or other disposal of such account, document, electronically stored information, or
25 asset held by or under such entity's or person's control, except as directed by further
26 order of the Court or as directed in writing by the Receiver regarding accounts,
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1 documents, or assets held in the name of or benefit of any Receivership Defendant;

2 B. Provide the Receiver, the Receiver's agents, the FTC, and the FTC's
3 agents immediate access to electronically stored information stored, hosted, or
4 otherwise maintained on behalf of Defendants for forensic imaging;

5 C. Deny access to any safe deposit boxes that are either titled in the name,
6 individually or jointly, or subject to access by, any Defendant or other party subject
7 to Section VII above;

8 D. Provide to counsel for the FTC and the Receiver, within one (1)
9 business day, a sworn statement setting forth:

- 11 1. the identification of each account or asset titled in the name,
12 individually or jointly, or held on behalf of or for the benefit of,
13 subject to withdrawal by, subject to access or use by, or under the
14 signatory power of any Defendant or other party subject to Section VII
15 above, whether in whole or in part;
- 17 2. the balance of each such account, or a description of the nature
18 and value of such asset, as of the close of business on the day on which
19 this Order is served;
- 21 3. the identification of any safe deposit box that is either titled in the name
22 of, individually or jointly, or is otherwise subject to access or control
23 by, any Defendant or other party subject to Section VII above, whether
24 in whole or in part; and
- 25 4. if the account, safe deposit box, or other asset has been closed or
26 removed, the date closed or removed, the balance on said date,
27 and the name or the person or entity to whom such account or
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1 other asset was remitted;

2 E. Provide to counsel for the FTC and the Receiver, within three (3)
3 business days after being served with a request, copies of all documents pertaining to
4 such account or asset, including but not limited to originals or copies of account
5 applications, account statements, signature cards, checks, drafts, deposit tickets,
6 transfers to and from the accounts, all other debit and credit instruments or slips,
7 currency transaction reports, 1099 forms, and safe deposit box logs; provided that
8 such institution or custodian may charge a reasonable fee; and
9

10 F. Cooperate with all reasonable requests of the Receiver relating to this
11 Order's implementation.

12 G. The accounts subject to this provision include: (a) all assets of each
13 Defendant deposited as of the time this Order is entered, and (b) those assets
14 deposited after entry of this Order that are derived from the actions alleged in
15 Plaintiff's Complaint. This Section does not prohibit transfers to the Receiver, as
16 specifically required in Section XVII (Delivery of Receivership Property), nor does
17 it prohibit the Repatriation of Foreign Assets, as specifically required in Section XI
18 of this Order.
19

20 H. The FTC is granted leave, pursuant to Fed. R. Civ. P. 45, to subpoena
21 documents immediately from any financial or brokerage institution, business entity,
22 electronic data host, or person served with a copy of this Order that holds, controls,
23 or maintains custody of any account, document, electronically stored information, or
24 asset of, on behalf of, in the name of, for the benefit of, subject to withdrawal by,
25 subject to access or use by, or under the signatory power of any Defendant or other
26 party subject to Section VII above, or has held, controlled, or maintained any such
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1 account, document, electronically stored information, or asset at any time since
2 January 1, 2009, and such financial or brokerage institution, business entity,
3 electronic data host or person shall respond to such subpoena within three (3)
4 business days after service.

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6 **IX.**

7 **FINANCIAL STATEMENTS AND ACCOUNTING**

8 **IT IS FURTHER ORDERED** that each Defendant, within three (3) business
9 days of service of this Order, shall prepare and deliver to counsel for the FTC:

10 A. For the Individual Defendant, a completed financial statement accurate
11 as of the date of service of this Order upon such Defendant on the form of
12 Attachment A to this Order captioned "Financial Statement of Individual
13 Defendant."

14
15 B. For each Corporate Defendant, a completed financial statement accurate
16 as of the date of service of this Order upon such Defendant (unless otherwise agreed
17 upon with FTC counsel) in the form of Attachment B to this Order captioned
18 "Financial Statement of Corporate Defendant."

19 C. Defendants shall provide a list of all officers and directors of each
20 Corporate Defendant and all other individuals or entities with authority to direct the
21 operations of each Corporate Defendant or withdraw money from the account of
22 each Corporate Defendant.
23

24 **X.**

25 **CONSUMER CREDIT REPORTS**

26 **IT IS FURTHER ORDERED** that pursuant to Section 604(1) of the Fair
27 Credit Reporting Act, 15 U.S.C. § 1681b(1), any consumer reporting agency may
28

1 furnish to the FTC a consumer report concerning any Defendant.

2 **XI.**

3 **REPATRIATION OF FOREIGN ASSETS**

4 **IT IS FURTHER ORDERED** that, within five (5) business days following
5 the service of this Order, each Defendant shall:

6
7 A. Provide counsel for the FTC and the Receiver with a full accounting of
8 all assets, accounts, funds, and documents outside of the territory of the United
9 States that are held either: (1) by Defendants; (2) for their benefit; (3) in trust by or
10 for them, individually or jointly; or (4) under their direct or indirect control,
11 individually or jointly;

12 B. Transfer to the territory of the United States all assets, accounts, funds,
13 and documents in foreign countries held either: (1) by Defendants; (2) for their
14 benefit; (3) in trust by or for them, individually or jointly; or (4) under their direct or
15 indirect control, individually or jointly;

16
17 C. All repatriated assets, accounts, funds, and documents are subject to
18 Section VII of this Order; and

19 D. Provide the FTC access to all records of accounts or assets of the
20 Corporate Defendants and Individual Defendants held by financial institutions
21 located outside the territorial United States by signing the Consent to Release of
22 Financial Records attached to this Order as Attachment C.
23

24 **XII.**

25 **NONINTERFERENCE WITH REPATRIATION**

26 **IT IS FURTHER ORDERED** that Defendants are hereby temporarily
27 restrained and enjoined from taking any action, directly or indirectly, that may result
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1 in the encumbrance or dissipation of foreign assets, or in the hindrance of the
2 repatriation required by the preceding Section XI of this Order, including, but not
3 limited to:

4 A. Sending any statement, letter, fax, email or wire transmission, or
5 telephoning or engaging in any other act, directly or indirectly, that results in a
6 determination by a foreign trustee or other entity that a "duress" event has occurred
7 under the terms of a foreign trust agreement until such time that all assets have been
8 fully repatriated pursuant to Section XI of this Order; or

9 B. Notifying any trustee, protector, or other agent of any foreign trust or
10 other related entities of either the existence of this Order, or of the fact that
11 repatriation is required pursuant to a court order, until such time that all assets have
12 been fully repatriated pursuant to Section XI of this Order.
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15 **XIII.**

16 **APPOINTMENT OF TEMPORARY RECEIVER**

17 **IT IS FURTHER ORDERED** that Michael A. Grassmuck is appointed
18 Receiver for the business activities of Receivership Defendants with the full power
19 of an equity receiver. The Temporary Receiver shall be an agent of this Court and
20 solely an agent of this Court in acting as Temporary Receiver under this Order. The
21 Temporary Receiver shall be accountable directly to this Court. The Temporary
22 Receiver shall comply with all laws and Local Rules of this Court governing
23 receivers, including but not limited to Local Rules 66-1 through 66-5.1 and Local
24 Rule 66-8.
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- 1 2. completing a written inventory of all Receivership assets;
- 2 3. obtaining pertinent information from all employees and other agents of
- 3 the Receivership Defendants, including, but not limited to, the name,
- 4 home address, social security number, job description, method of
- 5 compensation, and all accrued and unpaid commissions and
- 6 compensation of each such employee or agent, and all computer
- 7 hardware and software passwords;
- 8
- 9 4. videotaping and/or photographing all portions of the location;
- 10 5. securing the location by changing the locks and disconnecting any
- 11 computer modems or other means of access to the computer or other
- 12 records maintained at that location;
- 13
- 14 6. requiring any persons present on the premises at the time this Order is
- 15 served to leave the premises, to provide the Temporary Receiver with
- 16 proof of identification, or to demonstrate to the satisfaction of the
- 17 Temporary Receiver that such persons are not removing from the
- 18 premises documents or assets of the Receivership Defendants; and
- 19 7. requiring all employees, independent contractors, and consultants of the
- 20 Receivership Defendants to complete a Questionnaire submitted by the
- 21 Temporary Receiver;
- 22

23 D. Conserve, hold, and manage all Receivership assets, and perform all
24 acts necessary or advisable to preserve the value of those assets, in order to prevent
25 any irreparable loss, damage, or injury to consumers or to creditors of the
26 Receivership Defendants, including, but not limited to, obtaining an accounting of
27 the assets and preventing transfer, withdrawal, or misapplication of assets;

1 E. Liquidate any and all securities or commodities owned by or for the
2 benefit of the Receivership Defendants as the Receiver deems to be advisable or
3 necessary;

4 F. Enter into contracts and purchase insurance as the Temporary Receiver
5 deems to be advisable or necessary;

6
7 G. Prevent the inequitable distribution of assets and determine, adjust, and
8 protect the interests of consumers and creditors who have transacted business with
9 the Receivership Defendants;

10 H. Manage and administer the business of the Receivership Defendants
11 until further order of this Court by performing all incidental acts that the Temporary
12 Receiver deems to be advisable or necessary, which includes retaining, hiring, or
13 dismissing any employees, independent contractors, or agents;

14
15 I. Choose, engage, and employ attorneys, accountants, appraisers, and
16 other independent contractors and technical specialists, as the Temporary Receiver
17 deems advisable or necessary in the performance of duties and responsibilities under
18 the authority granted by this Order;

19 J. Make payments and disbursements from the Receivership estate that are
20 necessary or advisable for carrying out the directions of, or exercising the authority
21 granted by, this Order. The Temporary Receiver shall apply to the Court for prior
22 approval of any payment of any debt or obligation incurred by the Receivership
23 Defendants prior to the date of entry of this Order, except payments that the
24 Temporary Receiver deems necessary or advisable to secure assets of the
25 Receivership Defendants, such as rental payments;

26
27 K. Determine and implement measures to ensure that the Receivership
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1 Defendants comply with, and prevent violations of, this Order and all other
2 applicable laws, including, but not limited to, revising sales materials and
3 implementing monitoring procedures;

4 L. Institute, compromise, adjust, appear in, intervene in, or become party
5 to such actions or proceedings in state, federal, or foreign courts that the Temporary
6 Receiver deems necessary and advisable to preserve or recover the assets of the
7 Receivership Defendants, or that the Temporary Receiver deems necessary and
8 advisable to carry out the Receiver's mandate under this Order;

9 M. Defend, compromise, adjust, or otherwise dispose of any or all actions
10 or proceedings instituted in the past or in the future against the Temporary Receiver
11 in his role as Temporary Receiver, or against the Receivership Defendants, that the
12 Temporary Receiver deems necessary and advisable to preserve the assets of the
13 Receivership Defendants or that the Temporary Receiver deems necessary and
14 advisable to carry out the Temporary Receiver's mandate under this Order;

15 N. Continue and conduct the business of the Receivership Defendants in
16 such manner, to such extent, and for such duration as the Temporary Receiver may in
17 good faith deem to be necessary or appropriate to operate the business profitably and
18 lawfully, if at all; *provided, however*, that the continuation and conduct of the
19 business shall be conditioned upon the Temporary Receiver's good faith
20 determination that the businesses can be lawfully operated at a profit using the assets
21 of the receivership estate;

22 O. Take depositions and issue subpoenas to obtain documents and records
23 pertaining to the receivership estate and compliance with this Order. Subpoenas may
24 be served by agents or attorneys of the Temporary Receiver and by agents of any
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1 process server retained by the Temporary Receiver;

2 P. Open one or more bank accounts in the Central or Southern District of
3 California as designated depositories for funds of the Receivership Defendants. The
4 Temporary Receiver shall deposit all funds of the Receivership Defendants in such a
5 designated account and shall make all payments and disbursements from the
6 receivership estate from such account(s);
7

8 Q. Maintain accurate records of all receipts and expenditures that he makes
9 as Temporary Receiver;

10 R. Cooperate with reasonable requests for information or assistance from
11 any state or federal law enforcement agency; and

12 S. Maintain the chain of custody of all of Defendants' records in his
13 possession, pursuant to procedures to be established in writing with the approval of
14 the FTC.
15

16 **XV.**

17 **TEMPORARY RECEIVER AND FTC IMMEDIATE ACCESS TO**
18 **BUSINESS PREMISES AND RECORDS**

19 **IT IS FURTHER ORDERED** that Defendants and their officers, directors,
20 agents, servants, employees, attorneys, and all other persons or entities directly or
21 indirectly, in whole or in part, under their control, and all other persons in active
22 concert or participation with them who receive actual notice of this Order by
23 personal service, facsimile, email, or otherwise, whether acting directly or through
24 any corporation, subsidiary, division, or other entity, shall:
25

26 A. Immediately identify to FTC's counsel and the Temporary Receiver:

27 1. All of Defendants' business premises;

28 2. Any non-residence premises where any Defendant conducts business,

1 sales operations, or customer service operations;

2 3. Any non-residence premises where documents or electronically stored
3 information related to the business, sales operations, or customer service
4 operations of any Defendant are hosted, stored, or otherwise maintained,
5 including but not limited to the name and location of any electronic data
6 hosts; and
7

8 4. Any non-residence premises where assets belonging to any Defendant
9 are stored or maintained;

10 B. Allow the FTC and the Temporary Receiver, and their respective
11 representatives, agents, attorneys, investigators, paralegals, contractors, or assistants
12 immediate access to:

13 1. All of the Defendants' business premises, including but not limited to:

14 a. 100 West Broadway, Suite 100, Glendale, CA 91210;

15 b. 11901 Santa Monica Blvd., Suite 574, West Los Angeles,
16 CA 90025;

17 c. 3699 Wilshire Blvd., Suite 220, Los Angeles, CA 90010;

18 d. 11870 Santa Monica Blvd., Suite 540, West Los Angeles,
19 CA 90025;
20

21 and such other business locations that are wholly or partially owned,
22 rented, leased, or under the temporary or permanent control of any
23 Defendant;
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25 2. Any other premises where the Defendants conduct business, sales
26 operations or customer service operations;

27 3. Any premises where documents related to the Defendants' businesses
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1 are stored or maintained;

2 4. Any premises where assets belonging to any Defendant are stored or
3 maintained; and

4 5. Any documents located at any of the locations described in this Section;
5 and

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7 C. Provide the FTC and the Temporary Receiver, and their respective
8 representatives, agents, attorneys, investigators, paralegals, contractors, or assistants
9 with any necessary means of access to, copying of, and forensic imaging of
10 documents or electronically stored information, including, without limitation, the
11 locations of Receivership Defendants' business premises, keys and combinations to
12 business premises locks, computer access codes of all computers used to conduct
13 Receivership Defendants' business, access to (including but not limited to execution
14 of any documents necessary for access to and forensic imaging of) any data stored,
15 hosted or otherwise maintained by an electronic data host, and storage area access
16 information.
17

18 D. The FTC and the Temporary Receiver are authorized to employ the
19 assistance of law enforcement officers, including, but not limited to, the United
20 States Postal Inspection Service, Internal Revenue Service, and Federal Bureau of
21 Investigation, to effect service, to implement peacefully the provisions of this Order,
22 and to keep the peace. The Temporary Receiver shall allow the FTC and its
23 representatives, agents, contractors, or assistants into the premises and facilities
24 described in this Section to inspect, inventory, image, and copy documents or
25 electronically stored information relevant to any matter contained in this Order.
26 Counsel for the FTC and the Temporary Receiver may exclude Defendants and their
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1 agents and employees from the business premises and facilities during the immediate
2 access. No one shall interfere with the FTC's or Temporary Receiver's inspection of
3 the Defendants' premises or documents.

4 E. The Temporary Receiver and the FTC shall have the right to remove
5 any documents related to Defendants' business practices from the premises in order
6 that they may be inspected, inventoried, and copied. The materials so removed shall
7 be returned within five (5) business days of completing said inventory and copying.
8 If any property, records, documents, or computer files relating to the Receivership
9 Defendants' finances or business practices are located in the residence of any
10 Defendant or are otherwise in the custody or control of any Defendant, then such
11 Defendant shall produce them to the Temporary Receiver within twenty-four (24)
12 hours of service of this Order. In order to prevent the destruction of computer data,
13 upon service of this Order upon Defendants, any such computers shall be powered
14 down (turned off) in the normal course for the operating systems used on such
15 computers and shall not be powered up or used again until produced for copying and
16 inspection, along with any codes needed for access. The FTC's and the Temporary
17 Receiver's representatives may also photograph and videotape the inside and outside
18 of all premises to which they are permitted access by this Order, and all documents
19 and other items found on such premises.
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23 F. The FTC's access to the Defendants' documents pursuant to this
24 provision shall not provide grounds for any Defendant to object to any subsequent
25 request for documents served by the FTC.

26 G. The Temporary Receiver shall have the discretion to determine the time,
27 manner, and reasonable conditions of such access.
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XVI.

COOPERATION WITH TEMPORARY RECEIVER

IT IS FURTHER ORDERED that:

A. Defendants, and their officers, agents, directors, servants, employees, salespersons, independent contractors, attorneys, and corporations, and all other 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 trust, corporation, subsidiary, division, or other device, or any of them, shall fully cooperate with and assist the Temporary Receiver. Defendants' cooperation and assistance shall include, but not be limited to:

1. Providing any information to the Temporary Receiver that the Temporary Receiver deems necessary to exercising the authority and discharging the responsibilities of the Temporary Receiver under this Order, including but not limited to allowing the Temporary Receiver to inspect documents and assets and to partition office space;
2. Providing any username or password and executing any documents required to access any computer or electronic files in any medium, including but not limited to electronically stored information stored, hosted or otherwise maintained by an electronic data host; and
3. Advising all persons who owe money to the Receivership Defendants that all debts should be paid directly to the Temporary Receiver.

B. Defendants and their officers, directors, agents, servants, employees, attorneys, and all other persons or entities directly or indirectly, in whole or in part, under their control, and all other persons in active concert or participation with them

1 who receive actual notice of this Order by personal service or otherwise, are hereby
2 temporarily restrained and enjoined from directly or indirectly:

- 3 1. Transacting any of the business of the Receivership Defendants;
- 4 2. Destroying, secreting, erasing, mutilating, defacing, concealing,
5 altering, transferring or otherwise disposing of, in any manner, directly
6 or indirectly, any documents, electronically stored information, or
7 equipment of the Receivership Defendants, including but not limited to
8 contracts, agreements, consumer files, consumer lists, consumer
9 addresses and telephone numbers, correspondence, advertisements,
10 brochures, sales material, sales presentations, documents evidencing or
11 referring to Defendants' services, training materials, scripts, data,
12 computer tapes, disks, or other computerized records, books, written or
13 printed records, handwritten notes, telephone logs, "verification" or
14 "compliance" tapes or other audio or video tape recordings, receipt
15 books, invoices, postal receipts, ledgers, personal and business canceled
16 checks and check registers, bank statements, appointment books, copies
17 of federal, state or local business or personal income or property tax
18 returns, photographs, mobile devices, electronic storage media,
19 accessories, and any other documents, records or equipment of any kind
20 that relate to the business practices or business or personal finances of
21 the Receivership Defendants or any other entity directly or indirectly
22 under the control of the Receivership Defendants;
- 23 3. Transferring, receiving, altering, selling, encumbering, pledging,
24 assigning, liquidating, or otherwise disposing of any assets owned,
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1 controlled, or in the possession or custody of, or in which an interest is
2 held or claimed by, the Receivership Defendants, or the Temporary
3 Receiver;

- 4 4. Excusing debts owed to the Receivership Defendants;
- 5 5. Failing to notify the Receiver of any asset, including accounts, of a
6 Receivership Defendant held in any name other than the name of the
7 Receivership Defendant, or by any person or entity other than the
8 Receivership Defendant, or failing to provide any assistance or
9 information requested by the Temporary Receiver in connection with
10 obtaining possession, custody, or control of such assets;
- 11 6. Failing to create and maintain books, records, and accounts which, in
12 reasonable detail, accurately, fairly, and completely reflect the incomes,
13 assets, disbursements, transactions and use of monies by the Defendants
14 or any other entity directly or indirectly under the control of the
15 Defendants;
- 16 7. Doing any act or refraining from any act whatsoever to interfere with
17 the Temporary Receiver's taking custody, control, possession, or
18 managing of the assets or documents subject to this Receivership; or to
19 harass or to interfere with the Temporary Receiver in any way; or to
20 interfere in any manner with the exclusive jurisdiction of this Court over
21 the assets or documents of the Receivership Defendants; or to refuse to
22 cooperate with the Temporary Receiver or the Temporary Receiver's
23 duly authorized agents in the exercise of their duties or authority under
24 any Order of this Court; and
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1 8. Filing, or causing to be filed, any petition on behalf of the Receivership
2 Defendants for relief under the United States Bankruptcy Code, 11
3 U.S.C. § 101 *et seq.*, without prior permission from this Court.
4

5 **XVII.**

6 **DELIVERY OF RECEIVERSHIP PROPERTY**

7 **IT IS FURTHER ORDERED** that immediately upon service of this Order
8 upon them or upon their otherwise obtaining actual knowledge of this Order, or
9 within a period permitted by the Temporary Receiver, Defendants and any other
10 person or entity, including but not limited to financial institutions and electronic data
11 hosts, shall transfer or deliver access to, possession, custody, and control of the
12 following to the Temporary Receiver:

13 A. All assets of the Receivership Defendants;

14 B. All documents and electronically stored information of the Receivership
15 Defendants, including, but not limited to, books and records of accounts, all financial
16 and accounting records, balance sheets, income statements, bank records (including
17 monthly statements, canceled checks, records of wire transfers, records of ACH
18 transactions, and check registers), client or customer lists, title documents and other
19 papers;
20

21 C. All assets belonging to members of the public now held by the
22 Receivership Defendants;

23 D. All keys, computer and other passwords, user names, entry codes,
24 combinations to locks required to open or gain or secure access to any assets or
25 documents of the Receivership Defendants, wherever located, including, but not
26 limited to, access to their business premises, means of communication, accounts,
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1 computer systems, or other property; and

2 E. Information identifying the accounts, employees, properties, or other
3 assets or obligations of the Receivership Defendants.

4 F. In the event any person or entity fails to deliver or transfer immediately
5 any asset or otherwise fails to comply with any provision of this Section XVII, the
6 Temporary Receiver may file *ex parte* with the Court an Affidavit of Non-
7 Compliance regarding the failure. Upon filing of the affidavit, the Court may
8 authorize, without additional process or demand, Writs of Possession or
9 Sequestration or other equitable writs requested by the Receiver. The writs shall
10 authorize and direct the United States Marshal or any sheriff or deputy sheriff of any
11 county to seize the asset, document, or other thing and to deliver it to the Temporary
12 Receiver.
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15 XVIII.

16 COMPENSATION FOR RECEIVER

17 **IT IS FURTHER ORDERED** that the Temporary Receiver and all personnel
18 hired by the Temporary Receiver as herein authorized, including counsel to the
19 Temporary Receiver and accountants, are entitled to reasonable compensation for the
20 performance of duties pursuant to this Order, and for the cost of actual out-of-pocket
21 expenses incurred by them, from the assets now held by or in the possession or
22 control of, or which may be received by, the Receivership Defendants. The
23 Temporary Receiver shall file with the Court and serve on the parties periodic
24 requests for the payment of such reasonable compensation, with the first such request
25 filed no more than sixty (60) days after the date of this Order. The Temporary
26 Receiver shall not increase the hourly rates used as the bases for such fee applications
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1 without prior approval of the Court.

2 **XIX.**

3 **RECEIVER'S REPORTS**

4 **IT IS FURTHER ORDERED** that the Temporary Receiver shall report to
5 this Court on or before the date set for the hearing to Show Cause regarding the
6 Preliminary Injunction, regarding: (1) the steps taken by the Temporary Receiver to
7 implement the terms of this Order; (2) the value of all liquidated and unliquidated
8 assets of the Receivership Defendants; (3) the sum of all liabilities of the
9 Receivership Defendants; (4) the steps the Temporary Receiver intends to take in the
10 future to: (a) prevent any diminution in the value of assets of the Receivership
11 Defendants, (b) pursue receivership assets from third parties, and (c) adjust the
12 liabilities of the Receivership Defendants, if appropriate; (5) the Receiver's
13 assessment of whether the business can be operated in compliance with this Order;
14 and (6) any other matters which the Temporary Receiver believes should be brought
15 to the Court's attention. *Provided, however,* if any of the required information
16 would hinder the Temporary Receiver's ability to pursue receivership assets, the
17 portions of the Temporary Receiver's report containing such information may be
18 filed under seal and not served on the parties.
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22 **XX.**

23 **WITHDRAWAL OF TEMPORARY RECEIVER**

24 **IT IS FURTHER ORDERED** that the Temporary Receiver and any
25 Professional retained by the Temporary Receiver, including but not limited to his or
26 her attorneys and accountants, be and are hereby authorized to withdraw from his or
27 her respective appointments or representations and apply for payment of their
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1 professional fees and costs at any time after the date of this Order, for any reason in
2 their sole and absolute discretion, by sending written notice seven (7) days prior to
3 the date of the intended withdrawal to the Court and to the parties along with a
4 written report reflecting the Temporary Receiver's work, findings, and
5 recommendations, as well as an accounting for all funds and assets in possession or
6 control of the Temporary Receiver. The Temporary Receiver and Professionals shall
7 be relieved of all liabilities and responsibilities, and the Temporary Receiver shall be
8 exonerated and the receivership deemed closed seven (7) days from the date of the
9 mailing of such notice of withdrawal. The Court will retain jurisdiction to consider
10 the fee applications, report, and accounting submitted by the Receiver and the
11 Professionals. The written notice shall include an interim report indicating the
12 Temporary Receiver's actions and reflect the knowledge gained along with the fee
13 applications of the Temporary Receiver and his or her Professionals. The report
14 shall also contain the Temporary Receiver's recommendations, if any.

17 **XXI.**

18 **TEMPORARY RECEIVER'S BOND/LIABILITY**

19 **IT IS FURTHER ORDERED** that no bond shall be required in connection
20 with the appointment of the Temporary Receiver. Except for an act of gross
21 negligence, the Temporary Receiver and the Professionals shall not be liable for any
22 loss or damage incurred by any of the Defendants, their officers, agents, servants,
23 employees, and attorneys or any other person, by reason of any act performed or
24 omitted to be performed by the Temporary Receiver and the Professionals in
25 connection with the discharge of his or her duties and responsibilities, including but
26 not limited to their withdrawal from the case under Section XX.
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1 proceeding, except that such actions may be filed to toll any applicable
2 statute of limitations;

3 2. Accelerating the due date of any obligation or claimed obligation; filing
4 or enforcing any lien; taking or attempting to take possession, custody,
5 or control of any asset; attempting to foreclose, forfeit, alter, or
6 terminate any interest in any asset, whether such acts are part of a
7 judicial proceeding, are acts of self-help, or otherwise;

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9 3. Executing, issuing, serving, or causing the execution, issuance or
10 service of, any legal process, including, but not limited to, attachments,
11 garnishments, subpoenas, writs of replevin, writs of execution, or any
12 other form of process whether specified in this Order or not; or

13
14 4. Doing any act or thing whatsoever to interfere with the Temporary
15 Receiver taking custody, control, possession, or management of the
16 assets or documents subject to this Receivership, or to harass or
17 interfere with the Temporary Receiver in any way, or to interfere in any
18 manner with the exclusive jurisdiction of this Court over the assets or
19 documents of the Receivership Defendants;

20 B. This Section XXIII does not stay:

21 1. The commencement or continuation of a criminal action or proceeding;

22 2. The commencement or continuation of an action or proceeding by the
23 State Bar of California to enforce its police or regulatory power;

24 3. The commencement or continuation of an action or proceeding by a
25 governmental unit to enforce such governmental unit's police or
26 regulatory power;
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1 4. The enforcement of a judgment, other than a money judgment, obtained
2 in an action or proceeding by a governmental unit to enforce such
3 governmental unit's police or regulatory power; or

4 5. The issuance to a Receivership Defendant of a notice of tax deficiency;
5 and
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7 C. Except as otherwise provided in this Order, all persons and entities in
8 need of documentation from the Temporary Receiver shall in all instances first
9 attempt to secure such information by submitting a formal written request to the
10 Receiver, and, if such request has not been responded to within thirty (30) days of
11 receipt by the Temporary Receiver, any such person or entity may thereafter seek an
12 Order of this Court with regard to the relief requested.
13

14 XXIV.

15 LIMITED EXPEDITED DISCOVERY

16 IT IS FURTHER ORDERED that the FTC is granted leave to conduct
17 certain expedited discovery, and that, commencing with the time and date of this
18 Order, in lieu of the time periods, notice provisions, and other requirements of Rules
19 26, 30, 34, and 45 of the Federal Rules of Civil Procedure, and applicable Local
20 Rules, the FTC is granted leave to:

21 A. Take the deposition, on three (3) days' notice, of any person or entity,
22 whether or not a party, for the purpose of discovering: (1) the nature, location, status,
23 and extent of assets of Defendants or their affiliates or subsidiaries; (2) the nature
24 and location of documents and business records of Defendants or their affiliates or
25 subsidiaries; and (3) compliance with this Order. The limitations and conditions set
26 forth in Fed. R. Civ. P. 30(a)(2)(B) and 31(a)(2)(B) regarding subsequent depositions
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1 shall not apply to depositions taken pursuant to this Section. In addition, any such
2 depositions taken pursuant to this Section shall not be counted toward the ten
3 deposition limit set forth in Fed. R. Civ. P. 30(a)(2)(A)(i) and 31(a)(2)(A)(i) and
4 shall not preclude the FTC from subsequently deposing the same person or entity in
5 accordance with the Federal Rules of Civil Procedure. Service of discovery upon a
6 party, taken pursuant to this Section, shall be sufficient if made by facsimile, email
7 or by overnight delivery. Any deposition taken pursuant to this sub-section that has
8 not been reviewed and signed by the deponent may be used by any party for
9 purposes of the preliminary injunction hearing;

11 B. Serve upon parties requests for production of documents or inspection
12 that require production or inspection within three (3) calendar days of service, and
13 may serve subpoenas upon non-parties that direct production or inspection within
14 five (5) calendar days of service, for the purpose of discovering: (1) the nature,
15 location, status, and extent of assets of Defendants or their affiliates or subsidiaries;
16 (2) the nature and location of documents and business records of Defendants or their
17 affiliates or subsidiaries; and (3) compliance with this Order, *provided that* twenty-
18 four (24) hours' notice shall be deemed sufficient for the production of any such
19 documents that are maintained or stored only as electronic data;

22 C. Serve deposition notices and other discovery requests upon the parties
23 to this action by facsimile or overnight courier, and take depositions by telephone or
24 other remote electronic means; and

25 D. If a Defendant fails to appear for a properly noticed deposition or fails
26 to comply with a request for production or inspection, seek to prohibit that
27 Defendant from introducing evidence at any subsequent hearing.
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1 testimony would be helpful to this Court. Any papers opposing a timely motion to
2 present live testimony or to present live testimony in response to live testimony to be
3 presented by another party shall be filed with this Court and served on the other
4 parties at least three (3) business days prior to the preliminary injunction hearing in
5 this matter. *Provided that* service shall be performed by personal or overnight
6 delivery or by facsimile or email, and documents shall be delivered so that they shall
7 be received by the other parties no later than 4 p.m. (Pacific Time) on the appropriate
8 dates listed in this Subsection. *Provided further*, however, that an evidentiary
9 hearing on the Commission's request for a preliminary injunction is not necessary
10 unless Defendants demonstrate that they have, and intend to introduce, evidence that
11 raises a genuine material factual issue.
12

13 **XXVII.**

14 **MONITORING**

15 **IT IS FURTHER ORDERED** that agents or representatives of the FTC may
16 contact Defendants directly or anonymously for the purpose of monitoring
17 compliance with this Order, and may tape record any oral communications that occur
18 in the course of such contacts.
19

20 **XXVIII.**

21 **DEFENDANTS' DUTY TO DISTRIBUTE ORDER**

22 **IT IS FURTHER ORDERED** that Defendants shall immediately provide a
23 copy of this Order to each affiliate, subsidiary, division, sales entity, successor,
24 assign, officer, director, employee, independent contractor, client company,
25 electronic data host, agent, attorney, spouse, and representative of Defendants and
26 shall, within three (3) calendar days from the date of entry of this Order, provide
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1 counsel for the FTC with a sworn statement that: (a) confirms that Defendants have
2 provided copies of the Order as required by this Section and (b) lists the names and
3 addresses of each entity or person to whom Defendants provided a copy of the Order.
4 Furthermore, Defendants shall not take any action that would encourage officers,
5 agents, directors, employees, salespersons, independent contractors, attorneys,
6 subsidiaries, affiliates, successors, assigns, or other persons or entities in active
7 concert or participation with Defendants to disregard this Order or believe that they
8 are not bound by its provisions.
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10 **XXIX.**

11 **DURATION OF TEMPORARY RESTRAINING ORDER**

12 **IT IS FURTHER ORDERED** that the Temporary Restraining Order granted
13 herein shall expire on the 7th day of June, 2012, at ~~10~~
14 10:30
~~o'clock~~ a.m., unless within such time, the Order, for good cause shown, is extended
15 with the consent of the parties, or for an additional period not to exceed fourteen (14)
16 calendar days, or unless it is further extended pursuant to Federal Rule of Civil
17 Procedure 65.
18

19 **XXX.**

20 **ORDER TO SHOW CAUSE REGARDING PRELIMINARY INJUNCTION**

21 **IT IS FURTHER ORDERED** that, pursuant to Federal Rule of Civil
22 Procedure 65(b), each of the Defendants shall appear before this Court on the 7th
23 day of June, 2012, at 10:30
~~o'clock~~ a.m., to show cause, if
24 there is any, why this Court should not enter a preliminary injunction enjoining the
25 violations of law alleged in the FTC's Complaint, continuing the freeze of their
26 assets, and imposing such additional relief as may be appropriate.
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XXXI.

CORRESPONDENCE WITH PLAINTIFF

IT IS FURTHER ORDERED that, for the purposes of this Order, because mail addressed to the FTC is subject to delay due to heightened security screening, all correspondence and service of pleadings on Plaintiff shall be sent either via electronic submission or via Federal Express to:

Miry Kim
Federal Trade Commission
915 Second Ave., Suite 2896
Seattle, WA 98174
Mkim@ftc.gov

with a copy to:

Raymond E. McKown
Federal Trade Commission
10877 Wilshire Blvd., Suite 700
Los Angeles, CA 90024
rmckown@ftc.gov

XXXII.

SERVICE OF THIS ORDER

IT IS FURTHER ORDERED that copies of this Order may be served by facsimile transmission, email, personal or overnight delivery, or U.S. Mail, by agents and employees of the FTC or any state or federal law enforcement agency or by private process server, upon any financial institution or other entity or person that may have possession, custody, or control of any documents or assets of any Defendant, or that may otherwise be subject to any provision of this Order. Service upon any branch or office of any financial institution shall effect service upon the entire financial institution.

1 XXXIII.

2 RETENTION OF JURISDICTION

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

5 IT IS SO ORDERED, this 30th day of May, 2012, at
6 4:00 p.m., Pacific Standard Time.

7
8
9 Dated: 5/30/12

Donald Ferguson

UNITED STATES DISTRICT JUDGE

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19 I hereby attest and certify on 5/30/12
20 that the foregoing document is a full, true
21 and correct copy of the original on file in
my office, and in my legal custody

22 CLERK U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
23 *[Signature]*
DEPUTY CLERK



1234

FEDERAL TRADE COMMISSION

FINANCIAL STATEMENT OF INDIVIDUAL DEFENDANT

Instructions:

1. Complete all items. Enter "None" or "N/A" ("Not Applicable") where appropriate. If you cannot fully answer a question, explain why.
2. "Dependents" include your live-in companion, dependent children, or any other person, whom you or your spouse (or your children's other parent) claimed or could have claimed as a dependent for tax purposes at any time during the past five years.
3. "Assets" and "Liabilities" include ALL assets and liabilities, located within the United States or elsewhere, whether held individually or jointly.
4. Attach continuation pages as needed. On the financial statement, state next to the Item number that the Item is being continued. On the continuation page(s), identify the Item number(s) being continued.
5. Type or print legibly.
6. Initial each page in the space provided in the lower right corner.
7. Sign and date the completed financial statement on the last page.

Penalty for False Information:

Federal law provides that any person may be imprisoned for not more than five years, fined, or both, if such person:

- (1) "in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry" (18 U.S.C. § 1001);
- (2) "in any . . . statement under penalty of perjury as permitted under section 1746 of title 28, United States Code, willfully subscribes as true any material matter which he does not believe to be true" (18 U.S.C. § 1621); or
- (3) "in any (. . . statement under penalty of perjury as permitted under section 1746 of title 28, United States Code) in any proceeding before or ancillary to any court or grand jury of the United States knowingly makes any false material declaration or makes or uses any other information . . . knowing the same to contain any false material declaration" (18 U.S.C. § 1623).

For a felony conviction under the provisions cited above, federal law provides that the fine may be not more than the greater of (i) \$250,000 for an individual or \$500,000 for a corporation, or (ii) if the felony results in pecuniary gain to any person or pecuniary loss to any person other than the defendant, the greater of twice the gross gain or twice the gross loss. 18 U.S.C. § 3571.

BACKGROUND INFORMATION

Item 1. Information About You

Your Full Name _____ Social Security No. _____

Place of Birth _____ Date of Birth _____ Drivers License No. _____

Current Address _____ From (Date) _____

Rent or Own? _____ Telephone No. _____ Facsimile No. _____

E-Mail Address _____ Internet Home Page _____

Previous Addresses for past five years:

Address _____ Rent or Own? _____ From/Until _____

Address _____ Rent or Own? _____ From/Until _____

Identify any other name(s) and/or social security number(s) you have used, and the time period(s) during which they were used _____

Item 2. Information About Your Spouse or Live-In Companion

Spouse/Companion's Name _____ Social Security No. _____

Place of Birth _____ Date of Birth _____

Identify any other name(s) and/or social security number(s) your spouse/companion has used, and the time period(s) during which they were used _____

Address (if different from yours) _____

From (Date) _____ Rent or Own? _____ Telephone No. _____

Employer's Name and Address _____

Job Title _____ Years in Present Job _____ Annual Gross Salary/Wages \$ _____

Item 3. Information About Your Previous Spouse

Previous Spouse's Name & Address _____

_____ Social Security No. _____ Date of Birth _____

Item 4. Contact Information

Name & Address of Nearest Living Relative or Friend _____

Telephone No. _____

Item 5. Information About Dependents Who Live With You

•Name _____ Date of Birth _____

Relationship _____ Social Security No. _____

•Name _____ Date of Birth _____

Relationship _____ Social Security No. _____

•Name _____ Date of Birth _____

Relationship _____ Social Security No. _____

Item 6. Information About Dependents Who Do Not Live With You

•Name & Address _____

Date of Birth _____ Relationship _____ Social Security No. _____

•Name Address _____

Date of Birth _____ Relationship _____ Social Security No. _____

•Name & Address _____

Date of Birth _____ Relationship _____ Social Security No. _____

Item 7. Employment Information

Provide the following information for this year-to-date and for each of the previous five full years, for each company of which you were a director, officer, employee, agent, contractor, participant or consultant at any time during that period. "Income" includes, but is not limited to, any salary, commissions, draws, consulting fees, loans, loan payments, dividends, royalties or other benefits for which you did not pay (e.g., health insurance premiums, automobile lease or loan payments) received by you or anyone else on your behalf.

•Company Name & Address _____

Dates Employed: From (Month/Year) _____ To (Month/Year) _____

Positions Held with Beginning and Ending Dates _____

Item 7. continued

Income Received: This year-to-date: \$ _____ : \$ _____
20 _____ : \$ _____ : \$ _____
_____ : \$ _____ : \$ _____

Company Name & Address _____

Dates Employed: From (Month/Year) _____ To (Month/Year) _____

Positions Held with Beginning and Ending Dates _____

Income Received: This year-to-date: \$ _____ : \$ _____
20 _____ : \$ _____ : \$ _____
_____ : \$ _____ : \$ _____

Company Name & Address _____

Dates Employed: From (Month/Year) _____ To (Month/Year) _____

Positions Held with Beginning and Ending Dates _____

Income Received: This year-to-date: \$ _____ : \$ _____
20 _____ : \$ _____ : \$ _____
_____ : \$ _____ : \$ _____

Item 8. Pending Lawsuits Filed by You or Your Spouse

List all pending lawsuits that have been filed by you or your spouse in court or before an administrative agency. (List lawsuits that resulted in final judgments or settlements in Items 16 and 25).

Opposing Party's Name & Address _____

Court's Name & Address _____

Docket No. _____ Relief Requested _____ Nature of Lawsuit _____

_____ Status _____

Item 9. Pending Lawsuits Filed Against You or Your Spouse

List all pending lawsuits that have been filed against you or your spouse in court or before an administrative agency. (List

lawsuits that resulted in final judgments or settlements in Items 16 and 25).

Opposing Party's Name & Address _____

Court's Name & Address _____

Docket No. _____ Relief Requested _____ Nature of Lawsuit _____

_____ Status _____

Item 10. Safe Deposit Boxes

List all safe deposit boxes, located within the United States or elsewhere, held by you, your spouse, or any of your dependents, or held by others for the benefit of you, your spouse, or any of your dependents. *On a separate page, describe the contents of each box.*

<u>Owner's Name</u>	<u>Name & Address of Depository Institution</u>	<u>Box No.</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

Item 11. Business Interests

List all businesses for which you, your spouse, or your dependents are an officer or director.

•Business' Name & Address _____

Business Format (e.g., corporation) _____ Description of Business _____

_____ Position(s) Held, and By Whom _____

•Business' Name & Address _____

Business Format (e.g., corporation) _____ Description of Business _____

_____ Position(s) Held, and By Whom _____

•Business' Name & Address _____

Business Format (e.g., corporation) _____ Description of Business _____

_____ Position(s) Held, and By Whom _____

FINANCIAL INFORMATION: ASSETS AND LIABILITIES

REMINDER: "Assets" and "Liabilities" include ALL assets and liabilities, located within the United States or elsewhere, whether held individually or jointly.

Item 12. Cash, Bank, and Money Market Accounts

List cash and all bank and money market accounts, including but not limited to, checking accounts, savings accounts, and certificates of deposit, held by you, your spouse, or your dependents, or held by others for the benefit of you, your spouse, or your dependents. The term "cash" includes currency and uncashed checks.

Cash on Hand \$ _____ Cash Held For Your Benefit \$ _____

<u>Name on Account</u>	<u>Name & Address of Financial Institution</u>	<u>Account No.</u>	<u>Current Balance</u>
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____

Item 13. U.S. Government Securities

List all U.S. Government securities, including but not limited to, savings bonds, treasury bills, and treasury notes, held by you, your spouse, or your dependents, or held by others for the benefit of you, your spouse, or your dependents.

<u>Name on Account</u>	<u>Type of Obligation</u>	<u>Security Amount</u>	<u>Maturity Date</u>
_____	_____	\$ _____	_____
_____	_____	\$ _____	_____
_____	_____	\$ _____	_____

Item 14. Publicly Traded Securities and Loans Secured by Them

List all publicly traded securities, including but not limited to, stocks, stock options, registered and bearer bonds, state and municipal bonds, and mutual funds, held by you, your spouse, or your dependents, or held by others for the benefit of you, your spouse, or your dependents.

► Issuer _____ Type of Security _____ No. of Units Owned _____

Name on Security _____ Current Fair Market Value \$ _____ Loan(s) Against Security \$ _____

Broker House, Address _____ Broker Account No. _____

► Issuer _____ Type of Security _____ No. of Units Owned _____

Name on Security _____ Current Fair Market Value \$ _____ Loan(s) Against Security \$ _____

Broker House, Address _____ Broker Account No. _____

Item 15. Other Business Interests

List all other business interests, including but not limited to, non-public corporations, subchapter-S corporations, limited liability corporations ("LLCs"), general or limited partnership interests, joint ventures, sole proprietorships, and oil and mineral leases, held by you, your spouse, or your dependents, or held by others for the benefit of you, your spouse, or your dependents.

► Business Format _____ Business' Name & Address _____

_____ Ownership % _____

Owner (e.g., self, spouse) _____ Current Fair Market Value \$ _____

► Business Format _____ Business' Name & Address _____

_____ Ownership % _____

Owner (e.g., self, spouse) _____ Current Fair Market Value \$ _____

Item 16. Monetary Judgments or Settlements Owed to You, Your Spouse, or Your Dependents

List all monetary judgments or settlements owed to you, your spouse, or your dependents.

► Opposing Party's Name & Address _____

Court's Name & Address _____ Docket No. _____

Nature of Lawsuit _____ Date of Judgment _____ Amount \$ _____

► Opposing Party's Name & Address _____

Court's Name & Address _____ Docket No. _____

Nature of Lawsuit _____ Date of Judgment _____ Amount \$ _____

Item 17. Other Amounts Owed to You, Your Spouse, or Your Dependents

List all other amounts owed to you, your spouse, or your dependents.

Debtor's Name, Address, & Telephone No. _____

Original Amount Owed \$ _____ Current Amount Owed \$ _____ Monthly Payment \$ _____

Item 18. Life Insurance Policies

List all life insurance policies held by you, your spouse, or your dependents.

Insurance Company's Name, Address, & Telephone No. _____

Insured _____ Beneficiary _____ Face Value \$ _____

Policy No. _____ Loans Against Policy \$ _____ Surrender Value \$ _____

Insurance Company's Name, Address, & Telephone No. _____

Insured _____ Beneficiary _____ Face Value \$ _____

Policy No. _____ Loans Against Policy \$ _____ Surrender Value \$ _____

Item 19. Deferred Income Arrangements

List all deferred income arrangements, including but not limited to, deferred annuities, pensions plans, profit-sharing plans, 401(k) plans, IRAs, Keoghs, and other retirement accounts, held by you, your spouse, or your dependents, or held by others for the benefit of you, your spouse, or your dependents.

Name on Account _____ Type of Plan _____ Date Established _____

Trustee or Administrator's Name, Address & Telephone No. _____

Account No. _____ Surrender Value \$ _____

Name on Account _____ Type of Plan _____ Date Established _____

Trustee or Administrator's Name, Address & Telephone No. _____

Account No. _____ Surrender Value \$ _____

Item 20. Personal Property

List all personal property, by category, whether held for personal use or for investment, including but not limited to,

furniture and household goods of value, computer equipment, electronics, coins, stamps, artwork, gemstones, jewelry, bullion, other collectibles, copyrights, patents, and other intellectual property, held by you, your spouse, or your dependents, or held by others for the benefit of you, your spouse, or your dependents.

<u>Property Category</u> (e.g., artwork, jewelry)	<u>Name of Owner</u>	<u>Property Location</u>	<u>Acquisition Cost</u>	<u>Current Value</u>
			\$ _____	\$ _____
			\$ _____	\$ _____
			\$ _____	\$ _____
			\$ _____	\$ _____
			\$ _____	\$ _____
			\$ _____	\$ _____

Item 21. Cars, Trucks, Motorcycles, Boats, Airplanes, and Other Vehicles

List all cars, trucks, motorcycles, boats, airplanes, and other vehicles owned or operated by you, your spouse, or your dependents, or held by others for the benefit of you, your spouse, or your dependents.

▶ Vehicle Type _____ Make _____ Model _____ Year _____

Registered Owner's Name _____ Registration State & No. _____

Address of Vehicle's Location _____

Purchase Price \$ _____ Current Value \$ _____ Account/Loan No. _____

Lender's Name and Address _____

Original Loan Amount \$ _____ Current Loan Balance \$ _____ Monthly Payment \$ _____

▶ Vehicle Type _____ Make _____ Model _____ Year _____

Registered Owner's Name _____ Registration State & No. _____

Address of Vehicle's Location _____

Purchase Price \$ _____ Current Value \$ _____ Account/Loan No. _____

Lender's Name and Address _____

Original Loan Amount \$ _____ Current Loan Balance \$ _____ Monthly Payment \$ _____

Item 21. Continued

▶ Vehicle Type _____ Make _____ Model _____ Year _____

Registered Owner's Name _____ Registration State & No. _____

Address of Vehicle's Location _____

Purchase Price \$ _____ Current Value \$ _____ Account/Loan No. _____

Lender's Name and Address _____

Original Loan Amount \$ _____ Current Loan Balance \$ _____ Monthly Payment \$ _____

Item 22. Real Property

List all real estate held by you, your spouse, or your dependents, or held by others for the benefit of you, your spouse, or your dependents.

▶Type of Property _____ Property's Location _____

Name(s) on Title and Ownership Percentages _____

Acquisition Date _____ Purchase Price \$ _____ Current Value \$ _____

Basis of Valuation _____ Loan or Account No. _____

Lender's Name and Address _____

Current Balance On First Mortgage \$ _____ Monthly Payment \$ _____

Other Loan(s) (describe) _____ Current Balance \$ _____

Monthly Payment \$ _____ Rental Unit? _____ Monthly Rent Received \$ _____

▶Type of Property _____ Property's Location _____

Name(s) on Title and Ownership Percentages _____

Acquisition Date _____ Purchase Price \$ _____ Current Value \$ _____

Basis of Valuation _____ Loan or Account No. _____

Lender's Name and Address _____

Current Balance On First Mortgage \$ _____ Monthly Payment \$ _____

Other Loan(s) (describe) _____ Current Balance \$ _____

Monthly Payment \$ _____ Rental Unit? _____ Monthly Rent Received \$ _____

Item 23. Credit Cards

List each credit card held by you, your spouse, or your dependents. Also list any other credit cards that you, your spouse, or your dependents use.

<u>Name of Credit Card (e.g., Visa, MasterCard, Department Store)</u>	<u>Account No.</u>	<u>Name(s) on Account</u>	<u>Current Balance</u>	<u>Minimum Monthly Payment</u>
			\$ _____	\$ _____
			\$ _____	\$ _____
			\$ _____	\$ _____
			\$ _____	\$ _____
			\$ _____	\$ _____
			\$ _____	\$ _____

Item 24. Taxes Payable

List all taxes, such as income taxes or real estate taxes, owed by you, your spouse, or your dependants.

<u>Type of Tax</u>	<u>Amount Owed</u>	<u>Year Incurred</u>
	\$ _____	
	\$ _____	
	\$ _____	
	\$ _____	

Item 25. Judgments or Settlements Owed

List all judgments or settlements owed by you, your spouse, or your dependants.

Opposing Party's Name & Address _____

Court's Name & Address _____ Docket No. _____

Nature of Lawsuit _____ Date _____ Amount \$ _____

Item 26. Other Loans and Liabilities

List all other loans or liabilities in your, your spouse's, or your dependents' names.

Name & Address of Lender/Creditor _____

Nature of Liability _____ Name(s) on Liability _____

Date of Liability _____ Amount Borrowed \$ _____ Current Balance \$ _____

Payment Amount \$ _____ Frequency of Payment _____

Name & Address of Lender/Creditor _____

Nature of Liability _____ Name(s) on Liability _____

Date of Liability _____ Amount Borrowed \$ _____ Current Balance \$ _____

Payment Amount \$ _____ Frequency of Payment _____

OTHER FINANCIAL INFORMATION

Item 27. Tax Returns

List all federal tax returns that were filed during the last three years by or on behalf of you, your spouse, or your dependents. *Provide a copy of each signed tax return that was filed during the last three years.*

<u>Tax Year</u>	<u>Name(s) on Return</u>	<u>Refund Expected</u>
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____

Item 28. Applications for Credit

List all applications for bank loans or other extensions of credit that you, your spouse, or your dependents have submitted within the last two years. *Provide a copy of each application, including all attachments.*

<u>Name(s) on Application</u>	<u>Name & Address of Lender</u>
_____	_____
_____	_____
_____	_____

Item 29. Trusts and Escrows

List all funds or other assets that are being held in trust or escrow by any person or entity for you, your spouse, or your dependents. Also list all funds or other assets that are being held in trust or escrow by you, your spouse, or your dependents, for any person or entity. *Provide copies of all executed trust documents.*

<u>Trustee or Escrow Agent's Name & Address</u>	<u>Date Established</u>	<u>Grantor</u>	<u>Beneficiaries</u>	<u>Present Market Value of Assets</u>
				\$
				\$
				\$
				\$
				\$

Item 30. Transfers of Assets

List each person to whom you have transferred, in the aggregate, more than \$2,500 in funds or other assets during the previous three years by loan, gift, sale, or other transfer. For each such person, state the total amount transferred during that period.

<u>Transferee's Name, Address, & Relationship</u>	<u>Property Transferred</u>	<u>Aggregate Value</u>	<u>Transfer Date</u>	<u>Type of Transfer (e.g., Loan, Gift)</u>
		\$		
		\$		
		\$		
		\$		
		\$		
		\$		
		\$		

SUMMARY FINANCIAL SCHEDULES

Item 31. Combined Balance Sheet for You, Your Spouse, and Your Dependents

<u>ASSETS</u>		<u>LIABILITIES</u>	
Cash on Hand (Item 12)	\$ _____	Credit Cards (Item 23)	\$ _____
Cash in Financial Institutions (Item 12)	\$ _____	Motor Vehicles - Liens (Item 21)	\$ _____
U.S. Government Securities (Item 13)	\$ _____	Real Property - Encumbrances (Item 22)	\$ _____
Publicly Traded Securities (Item 14)	\$ _____	Loans Against Publicly Traded Securities (Item 14)	\$ _____
Other Business Interests (Item 15)	\$ _____	Taxes Payable (Item 24)	\$ _____
Judgments or Settlements Owed to You (Item 16)	\$ _____	Judgments or Settlements Owed (Item 25)	\$ _____
Other Amounts Owed to You (Item 17)	\$ _____	Other Loans and Liabilities (Item 26)	\$ _____
Surrender Value of Life Insurance (Item 18)	\$ _____	<u>Other Liabilities (Itemize)</u>	
Deferred Income Arrangements (Item 19)	\$ _____	_____	\$ _____
Personal Property (Item 20)	\$ _____	_____	\$ _____
Motor Vehicles (Item 21)	\$ _____	_____	\$ _____
Real Property (Item 22)	\$ _____	_____	\$ _____
<u>Other Assets (Itemize)</u>		_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
Total Assets	\$ _____	Total Liabilities	\$ _____

Item 32.

Combined Average Monthly Income and Expenses for You, Your Spouse, and Your Dependents for the Last 6 Months

Provide the average monthly income and expenses for you, your spouse, and your dependents for the last 6 months. Do not include credit card payments separately; rather, include credit card expenditures in the appropriate categories.

<u>INCOME</u>		<u>EXPENSES</u>	
Salary - After Taxes	\$ _____	Mortgage Payments for Residence(s)	\$ _____
Fees, Commissions, and Royalties	\$ _____	Property Taxes for Residence(s)	\$ _____
Interest	\$ _____	Rental Property Expenses, Including Mortgage Payments, Taxes, and Insurance	\$ _____
Dividends and Capital Gains	\$ _____	Car or Other Vehicle Lease or Loan Payments	\$ _____
Gross Rental Income	\$ _____	Food Expenses	\$ _____
Profits from Sole Proprietorships	\$ _____	Clothing Expenses	\$ _____
Distributions from Partnerships, S-Corporations, and LLCs	\$ _____	Utilities	\$ _____
Distributions from Trusts and Estates	\$ _____	Medical Expenses, Including Insurance	\$ _____
Distributions from Deferred Income Arrangements	\$ _____	Other Insurance Premiums	\$ _____
Social Security Payments	\$ _____	Other Transportation Expenses	\$ _____
Alimony/Child Support Received	\$ _____	Other Household Expenses	\$ _____
Gambling Income	\$ _____	<u>Other Expenses (Itemize)</u>	
<u>Other Income (Itemize)</u>		_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
Total Income	\$ _____	Total Expenses	\$ _____

FEDERAL TRADE COMMISSION

FINANCIAL STATEMENT OF CORPORATE DEFENDANT

Instructions:

1. Complete all items. Enter "None" or "N/A" ("Not Applicable") where appropriate. If you cannot fully answer a question, explain why.
2. In completing this financial statement, "the corporation" refers not only to this corporation but also to each of its predecessors that are not named defendants in this action.
3. When an Item asks for information about assets or liabilities "held by the corporation," include ALL such assets and liabilities, located within the United States or elsewhere, held by the corporation or held by others for the benefit of the corporation.
4. Attach continuation pages as needed. On the financial statement, state next to the Item number that the Item is being continued. On the continuation page(s), identify the Item number being continued.
5. Type or print legibly.
6. An officer of the corporation must sign and date the completed financial statement on the last page and initial each page in the space provided in the lower right corner.

Penalty for False Information:

Federal law provides that any person may be imprisoned for not more than five years, fined, or both, if such person:

- (1) "in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations; or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry" (18 U.S.C. § 1001);
- (2) "in any . . . statement under penalty of perjury as permitted under section 1746 of title 28, United States Code, willfully subscribes as true any material matter which he does not believe to be true" (18 U.S.C. § 1621); or
- (3) "in any (. . . statement under penalty of perjury as permitted under section 1746 of title 28, United States Code) in any proceeding before or ancillary to any court or grand jury of the United States knowingly makes any false material declaration or makes or uses any other information . . . knowing the same to contain any false material declaration." (18 U.S.C. § 1623).

For a felony conviction under the provisions cited above, federal law provides that the fine may be not more than the greater of (i) \$250,000 for an individual or \$500,000 for a corporation, or (ii) if the felony results in pecuniary gain to any person or pecuniary loss to any person other than the defendant, the greater of twice the gross gain or twice the gross loss. 18 U.S.C. § 3571.

BACKGROUND INFORMATION

Item 1. General Information

Corporation's Full Name _____

Primary Business Address _____ From (Date) _____

Telephone No. _____ Fax No. _____

E-Mail Address _____ Internet Home Page _____

All other current addresses & previous addresses for past five years, including post office boxes and mail drops:

Address _____ From/Until _____

Address _____ From/Until _____

Address _____ From/Until _____

All predecessor companies for past five years:

Name & Address _____ From/Until _____

Name & Address _____ From/Until _____

Name & Address _____ From/Until _____

Item 2. Legal Information

Federal Taxpayer ID No. _____ State & Date of Incorporation _____

State Tax ID No. _____ State _____ Profit or Not For Profit _____

Corporation's Present Status: Active _____ Inactive _____ Dissolved _____

If Dissolved: Date dissolved _____ By Whom _____

Reasons _____

Fiscal Year-End (Mo./Day) _____ Corporation's Business Activities _____

Item 3. Registered Agent

Name of Registered Agent _____

Address _____ Telephone No. _____

Item 4. Principal Stockholders

List all persons and entities that own at least 5% of the corporation's stock.

<u>Name & Address</u>	<u>% Owned</u>

Item 5. Board Members

List all members of the corporation's Board of Directors.

<u>Name & Address</u>	<u>% Owned</u>	<u>Term (From/Until)</u>

Item 6. Officers

List all of the corporation's officers, including *de facto* officers (individuals with significant management responsibility whose titles do not reflect the nature of their positions).

<u>Name & Address</u>	<u>% Owned</u>

Item 7. Businesses Related to the Corporation

List all corporations, partnerships, and other business entities in which this corporation has an ownership interest.

<u>Name & Address</u>	<u>Business Activities</u>	<u>% Owned</u>

State which of these businesses, if any, has ever transacted business with the corporation _____

Item 8. Businesses Related to Individuals

List all corporations, partnerships, and other business entities in which the corporation's principal stockholders, board members, or officers (i.e., the individuals listed in Items 4 - 6 above) have an ownership interest.

<u>Individual's Name</u>	<u>Business Name & Address</u>	<u>Business Activities</u>	<u>% Owned</u>

State which of these businesses, if any, have ever transacted business with the corporation _____

Item 9. Related Individuals

List all related individuals with whom the corporation has had any business transactions during the three previous fiscal years and current fiscal year-to-date. A "related individual" is a spouse, sibling, parent, or child of the principal stockholders, board members, and officers (i.e., the individuals listed in Items 4 - 6 above).

<u>Name and Address</u>	<u>Relationship</u>	<u>Business Activities</u>

Item 10. Outside Accountants

List all outside accountants retained by the corporation during the last three years.

<u>Name</u>	<u>Firm Name</u>	<u>Address</u>	<u>CPA/PA?</u>

Item 11. Corporation's Recordkeeping

List all individuals within the corporation with responsibility for keeping the corporation's financial books and records for the last three years.

<u>Name, Address, & Telephone Number</u>	<u>Position(s) Held</u>

Item 12. Attorneys

List all attorneys retained by the corporation during the last three years.

<u>Name</u>	<u>Firm Name</u>	<u>Address</u>

Item 13. Pending Lawsuits Filed by the Corporation

List all pending lawsuits that have been filed by the corporation in court or before an administrative agency. (List lawsuits that resulted in final judgments or settlements in favor of the corporation in Item 25).

Opposing Party's Name & Address _____

Court's Name & Address _____

Docket No. _____ Relief Requested _____ Nature of Lawsuit _____

_____ Status _____

Opposing Party's Name & Address _____

Court's Name & Address _____

Docket No. _____ Relief Requested _____ Nature of Lawsuit _____

_____ Status _____

Opposing Party's Name & Address _____

Court's Name & Address _____

Docket No. _____ Relief Requested _____ Nature of Lawsuit _____

_____ Status _____

Opposing Party's Name & Address _____

Court's Name & Address _____

Docket No. _____ Relief Requested _____ Nature of Lawsuit _____

_____ Status _____

Opposing Party's Name & Address _____

Court's Name & Address _____

Docket No. _____ Relief Requested _____ Nature of Lawsuit _____

_____ Status _____

Opposing Party's Name & Address _____

Court's Name & Address _____

Docket No. _____ Relief Requested _____ Nature of Lawsuit _____

_____ Status _____

Item 14. Current Lawsuits Filed Against the Corporation

List all pending lawsuits that have been filed against the corporation in court or before an administrative agency. (List lawsuits that resulted in final judgments, settlements, or orders in Items 26 - 27).

Opposing Party's Name & Address _____

Court's Name & Address _____

Docket No. _____ Relief Requested _____ Nature of Lawsuit _____

_____ Status _____

Opposing Party's Name & Address _____

Court's Name & Address _____

Docket No. _____ Relief Requested _____ Nature of Lawsuit _____

_____ Status _____

Opposing Party's Name & Address _____

Court's Name & Address _____

Docket No. _____ Relief Requested _____ Nature of Lawsuit _____

_____ Status _____

Opposing Party's Name & Address _____

Court's Name & Address _____

Docket No. _____ Relief Requested _____ Nature of Lawsuit _____

_____ Status _____

Opposing Party's Name & Address _____

Court's Name & Address _____

Docket No. _____ Relief Requested _____ Nature of Lawsuit _____

_____ Status _____

Opposing Party's Name & Address _____

Court's Name & Address _____

Docket No. _____ Relief Requested _____ Nature of Lawsuit _____

_____ Status _____

Item 15. Bankruptcy Information

List all state insolvency and federal bankruptcy proceedings involving the corporation.

Commencement Date _____ Termination Date _____ Docket No. _____

If State Court: Court & County _____ If Federal Court: District _____

Disposition _____

Item 16. Safe Deposit Boxes

List all safe deposit boxes, located within the United States or elsewhere, held by the corporation, or held by others for the benefit of the corporation. *On a separate page, describe the contents of each box.*

<u>Owner's Name</u>	<u>Name & Address of Depository Institution</u>	<u>Box No.</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

FINANCIAL INFORMATION

REMINDER: When an Item asks for information about assets or liabilities "held by the corporation," include ALL such assets and liabilities, located within the United States or elsewhere, held by the corporation or held by others for the benefit of the corporation.

Item 17. Tax Returns

List all federal and state corporate tax returns filed for the last three complete fiscal years. *Attach copies of all returns.*

<u>Federal/ State/Both</u>	<u>Tax Year</u>	<u>Tax Due Federal</u>	<u>Tax Paid Federal</u>	<u>Tax Due State</u>	<u>Tax Paid State</u>	<u>Preparer's Name</u>
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	_____

Item 18. Financial Statements

List all financial statements that were prepared for the corporation's last three complete fiscal years and for the current fiscal year-to-date. *Attach copies of all statements, providing audited statements if available.*

<u>Year</u>	<u>Balance Sheet</u>	<u>Profit & Loss Statement</u>	<u>Cash Flow Statement</u>	<u>Changes in Owner's Equity</u>	<u>Audited?</u>

Item 19. Financial Summary

For each of the last three complete fiscal years and for the current fiscal year-to-date for which the corporation has not provided a profit and loss statement in accordance with Item 17 above, provide the following summary financial information.

	<u>Current Year-to-Date</u>	<u>1 Year Ago</u>	<u>2 Years Ago</u>	<u>3 Years Ago</u>
<u>Gross Revenue</u>	\$ _____	\$ _____	\$ _____	\$ _____
<u>Expenses</u>	\$ _____	\$ _____	\$ _____	\$ _____
<u>Net Profit After Taxes</u>	\$ _____	\$ _____	\$ _____	\$ _____
<u>Payables</u>	\$ _____			
<u>Receivables</u>	\$ _____			

Item 20. Cash, Bank, and Money Market Accounts

List cash and all bank and money market accounts, including but not limited to, checking accounts, savings accounts, and certificates of deposit, held by the corporation. The term "cash" includes currency and uncashed checks.

Cash on Hand \$ _____ Cash Held for the Corporation's Benefit \$ _____

<u>Name & Address of Financial Institution</u>	<u>Signator(s) on Account</u>	<u>Account No.</u>	<u>Current Balance</u>
			\$ _____
			\$ _____
			\$ _____
			\$ _____

Item 21. Government Obligations and Publicly Traded Securities

List all U.S. Government obligations, including but not limited to, savings bonds, treasury bills, or treasury notes, held by the corporation. Also list all publicly traded securities, including but not limited to, stocks, stock options, registered and bearer bonds, state and municipal bonds, and mutual funds, held by the corporation.

Issuer _____ Type of Security/Obligation _____

No. of Units Owned _____ Current Fair Market Value \$ _____ Maturity Date _____

Issuer _____ Type of Security/Obligation _____

No. of Units Owned _____ Current Fair Market Value \$ _____ Maturity Date _____

Item 22. Real Estate

List all real estate, including leaseholds in excess of five years, held by the corporation.

Type of Property _____ Property's Location _____

Name(s) on Title and Ownership Percentages _____

Current Value \$ _____ Loan or Account No. _____

Lender's Name and Address _____

Current Balance On First Mortgage \$ _____ Monthly Payment \$ _____

Other Loan(s) (describe) _____ Current Balance \$ _____

Monthly Payment \$ _____ Rental Unit? _____ Monthly Rent Received \$ _____

Type of Property _____ Property's Location _____

Name(s) on Title and Ownership Percentages _____

Current Value \$ _____ Loan or Account No. _____

Lender's Name and Address _____

Current Balance On First Mortgage \$ _____ Monthly Payment \$ _____

Other Loan(s) (describe) _____ Current Balance \$ _____

Monthly Payment \$ _____ Rental Unit? _____ Monthly Rent Received \$ _____

Item 23. Other Assets

List all other property, by category, with an estimated value of \$2,500 or more, held by the corporation, including but not limited to, inventory, machinery, equipment, furniture, vehicles, customer lists, computer software, patents, and other intellectual property.

<u>Property Category</u>	<u>Property Location</u>	<u>Acquisition Cost</u>	<u>Current Value</u>
		\$	\$
		\$	\$
		\$	\$
		\$	\$
		\$	\$
		\$	\$
		\$	\$
		\$	\$
		\$	\$
		\$	\$

Item 24. Trusts and Escrows

List all persons and other entities holding funds or other assets that are in escrow or in trust for the corporation.

<u>Trustee or Escrow Agent's Name & Address</u>	<u>Description and Location of Assets</u>	<u>Present Market Value of Assets</u>
		\$
		\$
		\$
		\$
		\$
		\$
		\$
		\$

Item 25. Monetary Judgments and Settlements Owed To the Corporation

List all monetary judgments and settlements, recorded and unrecorded, owed to the corporation.

Opposing Party's Name & Address _____

Court's Name & Address _____ Docket No. _____

Nature of Lawsuit _____ Date of Judgment _____ Amount \$ _____

Opposing Party's Name & Address _____

Court's Name & Address _____ Docket No. _____

Nature of Lawsuit _____ Date of Judgment _____ Amount \$ _____

Item 26. Monetary Judgments and Settlements Owed By the Corporation

List all monetary judgments and settlements, recorded and unrecorded, owed by the corporation.

Opposing Party's Name & Address _____

Court's Name & Address _____ Docket No. _____

Nature of Lawsuit _____ Date _____ Amount \$ _____

Opposing Party's Name & Address _____

Court's Name & Address _____ Docket No. _____

Nature of Lawsuit _____ Date of Judgment _____ Amount \$ _____

Opposing Party's Name & Address _____

Court's Name & Address _____ Docket No. _____

Nature of Lawsuit _____ Date of Judgment _____ Amount \$ _____

Opposing Party's Name & Address _____

Court's Name & Address _____ Docket No. _____

Nature of Lawsuit _____ Date of Judgment _____ Amount \$ _____

Opposing Party's Name & Address _____

Court's Name & Address _____ Docket No. _____

Nature of Lawsuit _____ Date of Judgment _____ Amount \$ _____

Item 27. Government Orders and Settlements

List all existing orders and settlements between the corporation and any federal or state government entities.

Name of Agency _____ Contact Person _____

Address _____ Telephone No. _____

Agreement Date _____ Nature of Agreement _____

Item 28. Credit Cards

List all of the corporation's credit cards and store charge accounts and the individuals authorized to use them.

<u>Name of Credit Card or Store</u>	<u>Names of Authorized Users and Positions Held</u>

Item 29. Compensation of Employees

List all compensation and other benefits received from the corporation by the five most highly compensated employees, independent contractors, and consultants (other than those individuals listed in Items 5 and 6 above), for the two previous fiscal years and current fiscal year-to-date. "Compensation" includes, but is not limited to, salaries, commissions, consulting fees, bonuses, dividends, distributions, royalties, pensions, and profit sharing plans. "Other benefits" include, but are not limited to, loans, loan payments, rent, car payments, and insurance premiums, whether paid directly to the individuals, or paid to others on their behalf.

<u>Name/Position</u>	<u>Current Fiscal Year-to-Date</u>	<u>1 Year Ago</u>	<u>2 Years Ago</u>	<u>Compensation or Type of Benefits</u>
	\$ _____	\$ _____	\$ _____	
	\$ _____	\$ _____	\$ _____	
	\$ _____	\$ _____	\$ _____	
	\$ _____	\$ _____	\$ _____	
	\$ _____	\$ _____	\$ _____	

Item 30. Compensation of Board Members and Officers

List all compensation and other benefits received from the corporation by each person listed in Items 5 and 6, for the current fiscal year-to-date and the two previous fiscal years. "Compensation" includes, but is not limited to, salaries, commissions, consulting fees, dividends, distributions, royalties, pensions, and profit sharing plans. "Other benefits" include, but are not limited to, loans, loan payments, rent, car payments, and insurance premiums, whether paid directly to the individuals, or paid to others on their behalf.

<u>Name/Position</u>	<u>Current Fiscal Year-to-Date</u>	<u>1 Year Ago</u>	<u>2 Years Ago</u>	<u>Compensation or Type of Benefits</u>
	\$ _____	\$ _____	\$ _____	
	\$ _____	\$ _____	\$ _____	
	\$ _____	\$ _____	\$ _____	
	\$ _____	\$ _____	\$ _____	
	\$ _____	\$ _____	\$ _____	
	\$ _____	\$ _____	\$ _____	
	\$ _____	\$ _____	\$ _____	
	\$ _____	\$ _____	\$ _____	
	\$ _____	\$ _____	\$ _____	

Item 31. Transfers of Assets Including Cash and Property

List all transfers of assets over \$2,500 made by the corporation, other than in the ordinary course of business, during the previous three years, by loan, gift, sale, or other transfer.

<u>Transferee's Name, Address, & Relationship</u>	<u>Property Transferred</u>	<u>Aggregate Value</u>	<u>Transfer Date</u>	<u>Type of Transfer (e.g., Loan, Gift)</u>
		\$ _____		
		\$ _____		
		\$ _____		
		\$ _____		
		\$ _____		

Item 32. Documents Attached to the Financial Statement

List all documents that are being submitted with the financial statement.

<u>Item No. Document Relates To</u>	<u>Description of Document</u>

I am submitting this financial statement with the understanding that it may affect action by the Federal Trade Commission or a federal court. I have used my best efforts to obtain the information requested in this statement. The responses I have provided to the items above are true and contain all the requested facts and information of which I have notice or knowledge. I have provided all requested documents in my custody, possession, or control. I know of the penalties for false statements under 18 U.S.C. § 1001, 18 U.S.C. § 1621, and 18 U.S.C. § 1623 (five years imprisonment and/or fines). I certify under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed on:

(Date)

Signature

Corporate Position

CONSENT TO RELEASE OF FINANCIAL RECORDS

I, _____, do hereby direct any bank or trust company at which I have a bank account of any kind or at which a corporation has a bank account of any kind upon which I am authorized to draw, and its officers, employees and agents, to disclose all information and deliver copies of all documents of every nature in your possession or control which relate to the said bank accounts to any attorney of the Federal Trade Commission, and to give evidence relevant thereto, in the matter of *FTC v. Consumer Advocates Group Experts, LLC, et al.*, now pending in the United States District Court for the Central District of California, and this shall be irrevocable authority for so doing. This direction is intended to apply to the laws of countries other than the United States which restrict or prohibit the disclosure of bank information without the consent of the holder of the account, and shall be construed as consent with respect thereto, and the same shall apply to any of the bank accounts for which I may be the relevant principal.

Dated: _____, 2012 Signed: _____