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DAYTON, OHIO

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

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COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION
DAYTON

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

**LINDA JEAN LIGHTFOOT, individually,
and d/b/a/ UNIVERSAL DIRECT,**

Case No. C-3-02-145

**CHARLES F. CHILDS, individually, and
d/b/a UNIVERSAL DIRECT,**

**STIPULATED PRELIMINARY
INJUNCTION FREEZING
ASSETS AND PROVIDING
ADDITIONAL EQUITABLE
RELIEF**

Defendants.

_____/

Plaintiff, the Federal Trade Commission ("Commission"), has filed a Complaint for preliminary injunctive relief and other equitable relief pursuant to Sections 5(a) and 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 45(a) and 53(b), charging that Defendants Linda Jean Lightfoot ("Lightfoot") and Charles F. Childs ("Childs"), individually and doing business as Universal Direct, engaged in unfair business practices in violation of Section 5 of the FTC Act, 15 U.S.C. § 45. The Court, having considered the Complaint, declarations, exhibits, and memorandum of law filed in support thereof, finds that:

1. This Court has jurisdiction over the subject matter of this case, and over all parties hereto;
2. Venue in this district is proper under 28 U.S.C. § 1391(b) and (c), and 15 U.S.C. § 53(b);

3. There is good cause to believe that Defendants Lightfoot and Childs have engaged in and are likely to engage in acts or practices that violate Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and that Plaintiff is therefore likely to prevail on the merits of this action;

4. There is good cause to believe that immediate and irreparable damage to this Court's ability to grant effective final relief for consumers in the form of monetary restitution will occur from the sale, transfer, or other disposition or concealment by Defendants of their assets or the destruction of their corporate records, unless the Defendants are restrained and enjoined by Order of this Court. The evidence set forth in the Commission's Memorandum of Points and Authorities in Support of its Motion for Preliminary Injunction, and in the accompanying declarations and exhibits, shows that the Defendants have engaged in a concerted course of illegal activity in connection with the promotion of an illegal pyramid scheme through unsolicited commercial email ("spam") and Internet websites, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a);

5. There is good cause for the Court to order an asset freeze. Defendants have made misrepresentations and omissions about the potential income and legality of their program, and have provided the means and instrumentalities to consumers in order to further their scam. Defendants have retained ill-gotten gains from these practices, and an asset freeze is reasonably necessary in order to preserve the possibility of complete and meaningful relief at the conclusion of this litigation;

6. Weighing the equities and considering Plaintiff's likelihood of ultimate success, a preliminary injunction freezing assets and providing other equitable relief is in the public interest; and

7. Fed. R. Civ. P. 65(c) does not require security of the United States or an officer or agency thereof for the issuance of a restraining order.

Definitions

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

A. "Asset" means any legal or equitable interest in, right to, or claim to any real or personal property of Defendants or held for the benefit of Defendants, wherever located, including, but not limited to, "goods," "instruments," "equipment," "fixtures," "general intangibles," "inventory," "checks," "notes" (as these terms are defined in the Uniform Commercial Code), chattels, leaseholds, contracts, mails, other deliveries, shares of stock, lists of participants, intellectual property, accounts, credits, receivables, cash, and trusts.

B. "Defendants" means Linda Jean Lightfoot aka Linda J. Beasley, and Charles F. Childs, individually and doing business as Universal Direct, as well as their assigns, agents, servants, employees, or affiliates, and those persons 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 entity, corporation, subsidiary, division, or other device, unless specified otherwise.

C. "Multi-level marketing program" means any marketing program in which participants pay money to the program promoter in return for which the participants obtain the right to (1) recruit additional participants, or have additional participants placed by the promoter or any other person into the program participant's downline, tree, cooperative, income center, or other similar program grouping; (2) sell goods or services; and (3) receive payment or other

compensation, in whole or in part, based upon the retail sales of those in the participant's downline, tree, cooperative, income center or similar program grouping.

D. "Participating" in a multi-level marketing program or a prohibited marketing scheme includes, but is not limited to, promoting, marketing, advertising, offering for sale, or selling, or assisting others in the offering for sale or selling the right to participate in, the program or scheme, as well as acting or serving as an officer, director, employee, salesperson, agent, shareholder, advisor, consultant, independent contractor, or distributor, or acting as a speaker or spokesperson on behalf of the program or scheme.

E. "Prohibited marketing program" means any marketing program, Ponzi scheme, chain marketing scheme, or other marketing plan or program in which a person who participates makes a payment and receives the right, license or opportunity to derive income as a participant primarily from: (i) the recruitment of additional recruits by the participant, program, promoter or others; or (ii) non-retail sales made to or by such recruits or their successive generations of recruits.

F. "Retail sales" means sales of goods or services to third-party end users who are not participants or recruits in the multi-level marketing program.

ORDER

Conduct Prohibitions

I.

IT IS THEREFORE ORDERED that the Defendants, their assigns, agents, servants, employees and those persons in active concert or participation with them who receive actual

notice of this Order by personal service or otherwise, are hereby restrained and enjoined from participating in any manner or capacity whatsoever, directly, in concert with others or through any business entity or other device, in any prohibited marketing scheme.

II.

IT IS FURTHER ORDERED that, in connection with the advertising, promoting, offering for sale, or selling products or services in commerce, Defendants are hereby permanently restrained and enjoined from making or assisting others in making, directly or by implication, orally or in writing, any misrepresentation of material fact, including but not limited to:

- A. Misrepresentations about the potential earnings or income derived from such activity;
- B. Misrepresentations about the benefits any person participating in such activity actually can receive or reasonably expect to receive from such activity;
- C. Misrepresentations about the amount of sales, incentives, profit or rewards a person actually made or can potentially make through such activity; and
- D. Misrepresentations about the legality of such activity.

III.

IT IS FURTHER ORDERED that the Defendants, their assigns, agents, servants, employees and those persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise, while participating in any multi-level marketing program not subject to Paragraph I, are hereby restrained and enjoined from providing to others the means and instrumentalities with which to make, expressly or by implication, orally or in writing, any false or misleading statement or omission of material fact.

Asset Freeze

IV.

IT IS FURTHER ORDERED that the Defendants are hereby restrained and enjoined from:

A. Transferring, converting, encumbering, selling, concealing, dissipating, disbursing, assigning, spending, withdrawing, perfecting a security interest in, or otherwise disposing of any assets, including, but not limited to, funds, property, accounts, contracts, shares of stock, lists of consumer names, or other assets, wherever located, including outside the United States, that are (1) owned or controlled, directly or indirectly, by any Defendant, in whole or in part; (2) in the actual or constructive possession of any Defendant; or (3) owned, controlled by, or in the actual or constructive possession of any corporation, partnership, or other entity directly or indirectly owned, managed, or controlled by any Defendant, including but not limited to, any assets held by, for, or under the name of any Defendant at any bank or savings and loan institution, or with any broker-dealer, escrow agent, title company, commodity trading company, precious metal dealer, or other financial institution or depository of any kind;

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

C. Incurring charges or cash advances on any credit card, charge card, or debit card issued in the name, singly or jointly, of any Defendant;

D. Obtaining a personal or secured loan; and

E. Incurring liens or encumbrances on real property, personal property or other assets in the name, singly or jointly of any Defendant.

F. Notwithstanding the above, Defendants Lightfoot and Childs may access frozen funds to make refunds to consumers and to pay reasonable, usual, ordinary, and necessary living expenses, with the written consent from the FTC or prior court approval.

Provided, however, that the assets affected by this Paragraph IV shall include: (1) all of the assets of the Defendants existing as of the date this Order was entered; and (2) for assets obtained after the date this Order was entered, only those assets that are derived from or otherwise related to the activities alleged in the Commission's complaint.

V.

IT IS FURTHER ORDERED that any financial or brokerage institution, business entity, or person that holds, controls, or maintains custody of any account or asset of any of the Defendants, or has held, controlled, or maintained custody of any account or asset of any of the Defendants at any time since January 1, 1999 shall:

A. Prohibit the Defendants from withdrawing, removing, assigning, transferring, pledging, encumbering, disbursing, dissipating, converting, selling, or otherwise disposing of any such asset except as directed by further order of the Court.

B. Deny the Defendants access to any safe deposit box that is:

1. Titled in the name of any of the Defendants, either individually or jointly;

or

2. Otherwise subject to access by any of the Defendants.

C. Provide Counsel for the Commission, within five (5) business days of receiving a copy of this Order, a sworn statement setting forth:

1. The identification number of each such account or asset titled in his name, individually or jointly, of any of the Defendants, or held on behalf of, or for the benefit of, any of the Defendants;
2. The balance of each such account, or a description of the nature and value of such asset as of the close of business on the day on which this Order is served, and, if the account or other asset has been closed or removed, the date closed or removed, the total funds removed in order to close the account, and the name of the person or entity to whom such account or other asset was remitted; and
3. The identification of any safe deposit box that is either titled in the name, individually or jointly, of any of the Defendants, or is otherwise subject to access by any of the Defendants;

D. Upon the request by the Commission, promptly provide to the Commission with copies of all records or other documentation pertaining to such account or asset, including but not limited to originals or copies of account applications, account statements, signature cards, checks, drafts, deposit tickets, transfers to and from the accounts, all other debit and credit instruments or slips, currency transaction reports, 1099 forms, and safe deposit box logs. Any such financial institution, account custodian, or other aforementioned entity may arrange for the Commission to obtain copies of any such records which the Commission seeks, provided that such institution or custodian may charge a reasonable fee not to exceed fifteen cents per page copied.

Financial Statements

VI.

IT IS FURTHER ORDERED that, unless they have already done so, not less than three (3) days prior to the scheduled date and time for the hearing on a preliminary injunction in this matter, but not later than ten (10) days after entry of this Order, the Defendants shall provide the Commission with completed financial statements, on the form attached to this Order as Attachment A.

Compliance Reporting

VII.

IT IS FURTHER ORDERED that, in order to ensure compliance with this Order, Defendants shall, during the course of this litigation, notify counsel for the Commission in writing within fourteen (14) days of the following:

A. Any changes in any individual defendant's residence, mailing address, or telephone numbers; and

B. Any changes in any individual defendant's employment status (including self-employment), or their participation in any multi-level marketing program. Such notices shall include the name and address of each business that the defendant is employed by or participating in, a statement of the nature of the business, and a statement of the defendant's duties, responsibilities or involvement in connection with the business or employment.

Compliance Monitoring

VIII.

IT IS FURTHER ORDERED that the Commission is authorized to monitor the Defendants' compliance with this Order by all lawful means, including, but not limited to, the following means:

A. The Commission is authorized, without further leave of court, to obtain discovery from any person in the manner provided by Federal Rules of Civil Procedure 26-34, 36, and 37, and to use compulsory process pursuant to Federal Rule of Civil Procedure 45, for the purpose of monitoring and investigating Defendants' compliance with any provision of this Order;

B. The Commission is authorized to use representatives posing as consumers and employees of the Defendants, Defendants' employees, or any other entity managed or controlled in whole or in part by the Defendants, without the necessity of identification or prior notice; and

C. Nothing in this Order shall limit the Commission's lawful use of compulsory process, pursuant to sections 9 and 20 of the FTC Act, 15 U.S.C. §§ 49, 57b-1, to investigate whether the Defendants have violated any provision of this Order or Section 5 of the FTC Act, 15 U.S.C. § 45.

Plaintiff's Access to Business Records

IX.

IT IS FURTHER ORDERED that the Defendants shall allow the Plaintiff's representatives, agents, and assistants immediate access to all of the Defendants' business premises to inspect and copy documents so the Commission may prepare for the preliminary injunction hearing and identify and locate assets. The Plaintiff shall have discretion to regulate

the time, place, and manner of such access consistent with this purpose. The Commission may remove materials from the Defendants' business premises so they may be inspected, inventoried, and copied.

If any business records or property relating to the Defendants' promotion of an illegal pyramid scheme are located in the personal residence of the Defendants, then Defendants shall, within twenty-four (24) hours of service of this Order:

A. Produce to the Plaintiff for inspection, inventory and/or copying, at a location designated by the Plaintiff, all materials related or referring, directly or indirectly, to the Defendants' offer, sale or promotion of an illegal pyramid scheme, and/or any materials, information, products or data related thereto, including, but not limited to, computers, computerized files, storage media (including but not limited to floppy disks, hard drives, cd-roms, zip disks, punch cards, magnetic tape, backup tapes and computer chips) on which information has been saved, any and all equipment needed to read any such material, contracts, accounting data, correspondence (including, but not limited to, electronic correspondence), advertisements (including, but not limited to, advertisements placed on the World Wide Web), USENET Newsgroup postings, World Wide Web pages, books, written or printed records, handwritten notes, telephone logs, telephone scripts, receipt books, ledgers, personal and business canceled checks and check registers, bank statements, appointment books, copies of federal, state or local business or personal income or property tax returns, 1099 forms, and other documents or records of any kind that relate to Defendants' business practices; and

B. Produce to the Plaintiff for inspection, inventory and/or copying, at a location designated by the Plaintiff, all computers and data in whatever form, used by the Defendants, in whole or in part, relating to the Defendants' business practices.

C. The Commission shall return materials so removed, or produced by the Defendants, within three (3) business days of completing said inventory and copying.

Preservation of Records

X.

IT IS FURTHER ORDERED that the Defendants are hereby temporarily restrained and enjoined from destroying, erasing, mutilating, concealing, altering, transferring, or otherwise disposing of, in any manner, directly or indirectly, any documents, computers, computerized files, storage media (including but not limited to floppy disks, hard drives, cd-roms, zip disks, punch cards, magnetic tape, backup tapes and computer chips) on which information has been saved, any and all equipment needed to read any such material, contracts, accounting data, correspondence (including, but not limited to, electronic correspondence), advertisements (including, but not limited to, advertisements placed on the World Wide Web), USENET Newsgroup postings, World Wide Web pages, books, written or printed records, handwritten notes, telephone logs, telephone scripts, receipt books, ledgers, personal and business canceled checks and check registers, bank statements, appointment books, copies of federal, state or local business or personal income or property tax returns, 1099 forms, and other documents or records of any kind that relate to the business practices or business or personal finances of the Defendants.

Maintenance of Current Business Records

XI.

IT IS FURTHER ORDERED that the Defendants are hereby temporarily restrained and enjoined from:

A. Failing to create and maintain documents that, in reasonable detail, accurately, fairly, and completely reflect the Defendants' incomes, disbursements, transactions, and use of money; and

B. Creating, operating, or exercising any control over any business entity, including any partnership, limited partnership, joint venture, sole proprietorship or corporation, without first providing the Commission with a written statement disclosing: (1) the name of the business entity; (2) the address and telephone number of the business entity; (3) the names of the business entity's officers, directors, principals, managers and employees; and (4) a detailed description of the business entity's intended activities.

Service of Order

XII.

IT IS FURTHER ORDERED that copies of this Order may be served by any means, including facsimile transmission and electronic mail, upon any financial institution or other entity or person that may have possession, custody, or control of any documents or assets, as defined in this Order, of the Defendants, or that may be subject to any provision of this Order. Pursuant to Fed. R. Civ. P. 4(c)(2), this Order and the initial papers filed in this matter may be served by agents of Plaintiff, and by agents of any process service retained by Plaintiff.

Consumer Credit Reports

XIII.

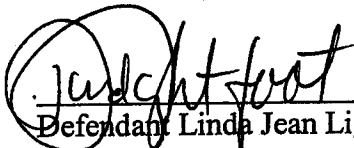
IT IS FURTHER ORDERED that, pursuant to Section 604(1) of the Fair Credit Reporting Act, any consumer reporting agency may furnish a consumer report concerning any of the Defendants to the receiver or the Commission.

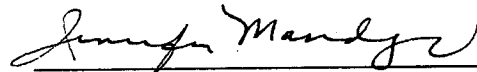
Retention of Jurisdiction and Entry of Judgment


XIV.

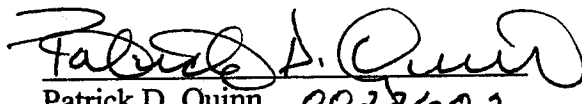
IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this matter for all purposes.

SO STIPULATED:


Defendant Linda Jean Lightfoot

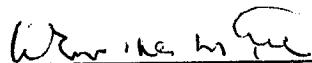

Jennifer Mandigo
Counsel for Plaintiff Federal Trade Commission


Defendant Charles F. Childs


Patrick D. Quinn 0022602
Local Counsel for Plaintiff
Act. U.S. Attorney

IT IS SO ORDERED.

Dated: April 12, 2002


Walter Herbert Rice
Chief Judge, United States District Court