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Los Angeles, CA 90024  
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6 Attorneys for Plaintiff  
7 Federal Trade Commission

8  
9  
10 UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

11  
12 FEDERAL TRADE COMMISSION,  
13 Plaintiff,

14 v.

15 SAGEE U.S.A. GROUP, INC., a  
16 California Corporation;  
17 SAGEE U.S.A. GROUP, INC., a  
18 Nevada Corporation;  
XIAO HUA LI, individually and as an  
officer of Sagee U.S.A. Group, Inc., a  
California Corporation;

19 Defendants.

CV 04 10560 GPS

(CWx)

STIPULATED FINAL  
JUDGMENT AND ORDER  
FOR PERMANENT  
INJUNCTION AND  
MONETARY RELIEF

20  
21 Plaintiff, the Federal Trade Commission ("Commission") filed a Complaint  
22 for permanent injunction and other relief against Sagee U.S.A. Group, Inc., a  
23 Nevada Corporation, Sagee U.S.A. Group, Inc., a California Corporation, and  
24 Xiao Hua Li ("Defendants") pursuant to Section 13(b) of the Federal Trade  
25 Commission Act ("FTC Act"), 15 U.S.C. § 53(b).

26 The Commission and Defendants have stipulated to the entry of the  
27 following Stipulated Final Judgment and Order for Permanent Injunction and  
28 Monetary Relief ("Final Judgment") in settlement of the Commission's Complaint

1 for Permanent Injunction and Other Equitable Relief (“Complaint”) against  
2 Defendants, without adjudication of any issue of fact or law, and without  
3 Defendants admitting liability for any of the matters alleged in the Complaint.  
4 The Court, being advised in the premises, finds:

5  
6 **FINDINGS**

7 1 This Court has jurisdiction over the subject matter of this case and  
8 jurisdiction over all parties. Venue in the District of Nevada is proper.

9 2 The Complaint states a claim upon which relief can be granted, and the  
10 Commission has the authority to seek the relief it has requested.

11 3 The acts and practices of Defendants were and are in or affecting  
12 commerce, as defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

13 4 Defendants waive all rights to seek judicial review or otherwise challenge  
14 or contest the validity of this Final Judgment. Defendants also waive any  
15 claim that they may have held under the Equal Access to Justice Act, 28  
16 U.S.C. § 2412, concerning the prosecution of this action to the date of this  
17 Final Judgment.

18 5 Each party shall bear its own costs and attorneys’ fees.

19 6 Entry of this Final Judgment is in the public interest.

20 7 Pursuant to Federal Rule of Civil Procedure 65(d), the provisions of this  
21 Final Judgment are binding upon Defendants, and their officers, agents,  
22 servants, representatives, employees, and all other persons or entities in  
23 active concert or participation with them, who receive actual notice of this  
24 Final Judgment by personal service or otherwise.

25 8 This Final Judgment resolves only claims against the named Defendants  
26 and does not preclude the Commission from initiating further action or  
27 seeking any remedy against any other persons or entities, including but not  
28 limited to persons or entities who may be subject to portions of this Final

1 Judgment by virtue of actions taken in concert or participation with  
2 Defendants, and persons or entities in any type of indemnification or  
3 contractual relationship with Defendants.  
4

5 **DEFINITIONS**

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

7 1 Unless otherwise specified, “Defendants” means:

8 A Sagee U.S.A. Group, Inc., a Nevada Corporation (“Sagee-Nevada”),  
9 its divisions and subsidiaries, its successors and assigns, and its  
10 officers, agents, servants, representatives, and employees;

11 B Sagee U.S.A. Group, Inc., a California Corporation (“Sagee-  
12 California”), its divisions and subsidiaries, its successors and assigns,  
13 and its officers, agents, servants, representatives, and employees; and

14 C Xiao Hua Li (individually and in his capacity as an officer of Sagee-  
15 California).

16 2 “Distributor” means any purchaser or other transferee of any covered  
17 product who acquires such product from any Defendant for resale, with or  
18 without valuable consideration, or any person or entity that offers or sells,  
19 or has offered or sold such product to other sellers or to consumers,  
20 including but not limited to individuals, retail stores, or catalogs.

21 3 “Commerce” means “commerce” as defined in Section 4 of the FTC Act, 15  
22 U.S.C. § 44.

23 4 “Competent and reliable scientific evidence” means tests, analyses,  
24 research, studies, or other evidence based on the expertise of professionals  
25 in the relevant area, that has been conducted and evaluated in an objective  
26 manner by persons qualified to do so, using procedures generally accepted  
27 in the profession to yield accurate and reliable results.

28 5 “Food” and “drug” mean as “food” and “drug” are defined in Section 15 of

1 the FTC Act, 15 U.S.C. § 55.

2 6 “Covered product” means any dietary supplement, food, drug, device, or  
3 service.

4 7 “Endorsement” means as defined in 16 C.F.R. § 255.0(b).

5 8 The term “including” in this Final Judgment means “without limitation.”

6 9 The terms “and” and “or” in this Final Judgment shall be construed  
7 conjunctively or disjunctively as necessary, to make the applicable phrase  
8 or sentence inclusive rather than exclusive.

9  
10 **ORDER**

11 **I. PROHIBITED UNSUBSTANTIATED CLAIMS**

12 IT IS ORDERED that Defendants, directly or through any corporation,  
13 subsidiary, division, trade name, or other device, and their officers, agents,  
14 servants, representatives, employees, and all persons or entities in active concert  
15 or participation with them who receive actual notice of this Final Judgment, by  
16 personal service or otherwise, in connection with the manufacturing, labeling,  
17 advertising, promotion, offering for sale, sale, or distribution of a dietary  
18 supplement sold as Sagee, or any covered product, in or affecting commerce, are  
19 hereby permanently restrained and enjoined from making any representation, in  
20 any manner, expressly or by implication, including through the use of  
21 endorsements, about the health benefits, performance, or efficacy of such product,  
22 including, but not limited to, that such product:

- 23 A. Repairs damaged brain cells;
- 24 B. Improves memory, concentration, attentiveness, and response times;
- 25 C. Slows down the brain’s aging process and relieves aging-related  
26 conditions of the brain;
- 27 D. Treats or alleviates insomnia, migraine headaches, neuroticism,  
28 schizophrenia, tinnitus, autism, Alzheimer’s Disease, cerebral

1 embolism, cerebral hemorrhage, epilepsy, Parkinson's Disease, senile  
2 dementia, or stroke; or

3 E. Increases the brain activity and learning ability of people with mental  
4 handicaps,

5 unless, at the time the representation is made, Defendants possess and rely upon  
6 competent and reliable scientific evidence that substantiates the representation.  
7

## 8 **II. PROHIBITED CLINICAL STUDIES CLAIMS**

9 IT IS FURTHER ORDERED that Defendants, directly or through any  
10 corporation, subsidiary, division, trade name, or other device, and their officers,  
11 agents, servants, representatives, employees, and all persons or entities in active  
12 concert or participation with them who receive actual notice of this Final  
13 Judgment, by personal service or otherwise, in connection with the  
14 manufacturing, labeling, advertising, promotion, offering for sale, sale, or  
15 distribution of any covered product, are hereby permanently restrained and  
16 enjoined from misrepresenting, in any manner, expressly or by implication,  
17 including through the use of endorsements, the existence, contents, validity,  
18 results, conclusions, or interpretations of any test, study, or research.  
19

## 20 **III. FDA APPROVED CLAIMS**

21 IT IS FURTHER ORDERED that:

22 A. Nothing in this Final Judgment shall prohibit Defendants from  
23 making any representation for any drug that is permitted in labeling  
24 for such drug under any tentative final or final standard promulgated  
25 by the Food and Drug Administration; and

26 B. Nothing in this Final Judgment shall prohibit Defendants from  
27 making any representation for any product that is specifically  
28 permitted in labeling for such product by regulations promulgated by

1 the Food and Drug Administration pursuant to the Nutrition Labeling  
2 and Education Act of 1990.

3  
4 **IV. MONETARY JUDGMENT AND CONSUMER REDRESS**

5 IT IS FURTHER ORDERED that:

- 6 A. Judgment is hereby entered against Defendants, jointly and severally,  
7 in the amount of ONE MILLION THREE HUNDRED EIGHTY-  
8 THREE THOUSAND FOUR HUNDRED TWENTY THREE  
9 DOLLARS (\$1,383,423.00); **provided, however,** that this judgment  
10 will be suspended (1) upon payment to the Commission or its  
11 designated agent, within five (5) days of entry of this judgment, of  
12 the amount of TEN THOUSAND DOLLARS (\$10,000.00), which  
13 payment must be by wire transfer pursuant to instructions provided  
14 by the Commission and (2) as long as the Court makes no finding, as  
15 provided in Section V of this Final Judgment, that any Defendant  
16 materially misrepresented or omitted the nature, existence, or value  
17 of any asset.
- 18 B. All funds paid pursuant to Paragraph A of this Section shall be  
19 deposited into a fund administered by the Commission or its agent to  
20 be used for equitable relief, including but not limited to consumer  
21 redress and any attendant expenses for the administration of any  
22 redress fund. In the event that direct redress to consumers is wholly  
23 or partially impracticable or funds remain after redress is completed,  
24 the Commission may apply any remaining funds for such other  
25 equitable relief (including consumer information remedies) as it  
26 determines to be reasonably related to Defendants' practices alleged  
27 in the complaint. Any funds not used for such equitable relief shall  
28 be deposited to the United States Treasury as equitable disgorgement.

1 Defendants shall have no right to challenge the Commission's choice  
2 of remedies or the manner of distribution.

3 C. Defendants acknowledge and agree that all money paid pursuant to  
4 this Final Judgment is irrevocably paid to the Commission for  
5 purposes of settlement between the parties, and Defendants  
6 relinquish all rights, title, and interest to such money. Defendants  
7 shall make no claim or demand for return of the funds, directly or  
8 indirectly, through counsel or otherwise, and in the event of  
9 bankruptcy of any Defendant, such Defendant acknowledges that the  
10 funds are not part of the debtor's estate, nor does the estate have any  
11 claim or interest therein.

12 D. Defendants are hereby required, in accordance with 31 U.S.C.  
13 § 7701, to furnish to the Commission their respective taxpayer  
14 identifying numbers (social security numbers or employer  
15 identification numbers), which will be used for purposes of collecting  
16 and reporting on any delinquent amount arising out of such  
17 Defendant's relationship with the government.

18 E. Defendants waive any right to contest any of the allegations in the  
19 Complaint in any subsequent litigation to collect amounts due  
20 pursuant to this Final Judgment, including but not limited to a  
21 nondischargeability complaint in any bankruptcy proceeding.

22 F. The judgment entered pursuant to this Section IV is equitable  
23 monetary relief, solely remedial in nature, and not a fine, penalty,  
24 punitive assessment, or forfeiture.

25  
26 **V. RIGHT TO REOPEN**

27 IT IS FURTHER ORDERED that:

28 A. Within five (5) business days after entry of this Final Judgment,

1 Defendants shall submit to the Commission truthful sworn statements  
2 that shall reaffirm and attest to the truthfulness, accuracy and  
3 completeness of the financial statements submitted to the  
4 Commission by Defendants, namely: (A) those of Defendant Sagee  
5 U.S.A. Group, Inc., provided to Commission counsel on January 20,  
6 2004, and March 20, 2004; and (B) that of Defendant Xiao Hua Li,  
7 dated July 1, 2004, as supplemented on August 6, 2004.

8 B. The Commission's agreement to this Final Judgment is expressly  
9 premised on the truthfulness, accuracy, and completeness of the  
10 financial statements referenced in Paragraph A of this Section. If,  
11 upon motion by the Commission, the Court finds that such financial  
12 statement of any defendant contains any material misrepresentation  
13 or omission, the suspended judgment entered in Paragraph A of  
14 Section IV of this Final Judgment shall become immediately due and  
15 payable as to that Defendant (less any funds paid to the Commission  
16 pursuant to Paragraph B of Section IV of this Final Judgment), and  
17 interest computed at the rate prescribed under 28 U.S.C. § 1961, as  
18 amended, shall immediately begin to accrue on the unpaid balance;  
19 *provided, however*, that in all other respects this Final Judgment shall  
20 remain in full force and effect unless otherwise ordered by the Court.

21 C. Any proceedings instituted under this Section V shall be in addition  
22 to, and not in lieu of, any other civil or criminal remedies as may be  
23 provided by law, including but not limited to contempt proceedings  
24 or any other proceedings that the Commission or the United States  
25 may initiate to enforce this Final Judgment. For purposes of this  
26 Section V, Defendants waive any right to contest any of the  
27 allegations in the Complaint.  
28



1 **VI. MONITORING DISTRIBUTORS**

2 IT IS FURTHER ORDERED that:

- 3 A. Defendants shall not disseminate to any distributor any advertisement  
4 containing any representations prohibited by this Final Judgment.
- 5 B. Defendants shall not, directly or indirectly, authorize or encourage  
6 any distributor to make any representations prohibited under this  
7 Final Judgment.
- 8 C. Within thirty (30) days after the date of entry of this Final Judgment,  
9 Defendant Sagee-California shall send by first class mail, postage  
10 prepaid, a copy of the notice attached hereto as Attachment A to each  
11 distributor, to the extent that such distributor is known to said  
12 Defendant through a diligent search of its records, including but not  
13 limited to computer files, sales records, and inventory lists. The  
14 mailing shall not include any other documents. The costs of this  
15 mailing shall be borne by Defendants. Within five (5) days after the  
16 date this mailing is completed, Defendant Sagee-California shall  
17 provide to the Federal Trade Commission a list of all persons to  
18 whom Attachment A was sent, together with the addresses to which it  
19 was mailed.
- 20 D. For a period of one (1) year following the date of entry of this Final  
21 Judgment, Defendant Sagee-California shall send by first class mail,  
22 postage prepaid, a copy of the notice attached hereto as Attachment  
23 A to each distributor with whom said Defendant begins doing  
24 business after the date of entry of this Final Judgment. Said  
25 Defendant shall send such notice prior to any sale or distribution of  
26 Sagee or any covered product to said distributor. The mailing shall  
27 not include any other documents. The costs of this mailing shall be  
28 borne by Defendants.

1 E. Defendant Sagee-California shall secure from each distributor to  
2 whom a notice is sent pursuant to Paragraphs VI. C or D a signed and  
3 dated statement acknowledging receipt of such and, as to any  
4 distributor who has not provided such a statement, shall not sell or  
5 distribute Sagee or any covered product to any such distributor, or  
6 accept any orders for Sagee or any covered product submitted by or  
7 on behalf of any such distributor. A form acknowledgment may be  
8 included in the mailings described in Paragraphs VI. C and D.

9 F. Defendant Sagee-California shall monitor distributors' advertising  
10 and promotional activities, including representations made verbally  
11 or through electronic communications. In the event that Defendant  
12 Sagee-California receives any information that, subsequent to receipt  
13 of Attachment A pursuant to Paragraphs VI. C or D, any distributor is  
14 using or disseminating any advertisement or promotional material or  
15 making any verbal statement that contains any representation  
16 prohibited by this Final Judgment, Defendant Sagee-California shall  
17 immediately terminate said distributor's right to market Defendants'  
18 products and shall immediately notify the Commission, by certified  
19 mail, of all relevant information, including name, address, and  
20 telephone number of the company or individual making such  
21 representations. With respect to any distributor whose right to  
22 market has been terminated pursuant to the terms of this Paragraph,  
23 Defendants shall not sell or distribute Sagee or any covered product  
24 to any such distributor, or accept any orders for Sagee or any covered  
25 product submitted by or on behalf of any such distributor.

26 G. Defendant Sagee-California shall require distributors to submit to it  
27 all advertising and promotional materials and claims for any covered  
28 product for approval prior to their dissemination and publication.

1 Defendant Sagee-California shall not authorize distributors to  
2 disseminate these materials and claims unless such materials and  
3 claims are in compliance with this Final Judgment.  
4

## 5 VII. COMPLIANCE MONITORING

6 IT IS FURTHER ORDERED that, for the purpose of monitoring and  
7 investigating compliance with any provision of this Final Judgment,

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

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

- 18 1. obtaining discovery from any person, without further leave of  
19 court, using the procedures prescribed by Fed. R. Civ. P. 30,  
20 31, 33, 34, 36, and 45; and
- 21 2. posing as consumers and suppliers to Defendants, their  
22 employees, any other entity managed or controlled in whole or  
23 in part by Defendants, or the employees of such entity, without  
24 the necessity of identification or prior notice.

25 C. Defendants shall permit representatives of the Commission to  
26 interview any employer, consultant, independent contractor,  
27 representative, agent, or employee who has agreed to such an  
28 interview, relating in any way to any conduct subject to this Final

1 Judgment. The person interviewed may have counsel present.

2 *Provided, however,* that nothing in this Final Judgment shall limit the  
3 Commission's lawful use of compulsory process, pursuant to Sections 9 and 20 of  
4 the FTC Act, 15 U.S.C. §§ 49 and 57b-1, to obtain any documentary material,  
5 tangible things, testimony, or information relevant to unfair or deceptive acts or  
6 practices in or affecting commerce (within the meaning of 15 U.S.C. § 45(a)(1)).  
7

### 8 **VIII. COMPLIANCE REPORTING BY DEFENDANTS**

9 IT IS FURTHER ORDERED that, in order that compliance with the  
10 provisions of this Final Judgment may be monitored:

11 A. For a period of three (3) years from the date of entry of this Final  
12 Judgment,

13 1. Xiao Hua Li shall notify the Commission of the following:

14 a. Any changes in his residence, mailing addresses, and  
15 telephone numbers, within ten (10) days of the date of  
16 such change;

17 b. Any changes in his employment status (including self-  
18 employment) and any change in his ownership in any  
19 business entity within ten (10) days of the date of such  
20 change. Such notice shall include the name and address  
21 of each business that Defendant Xiao Hua Li is affiliated  
22 with, employed by, creates or forms, or performs  
23 services for; a statement of the nature of the business;  
24 and a statement of his duties and responsibilities in  
25 connection with the business or employment; and

26 c. Any changes in his name or use of any aliases or  
27 fictitious names within ten (10) days of the date of such  
28 change or use; and

1           2. Defendants shall notify the Commission of any changes in the  
2 corporate structure of Defendants Sagee-California or Sagee-  
3 Nevada or any business entity that Defendant Xiao Hua Li  
4 directly or indirectly controls or has an ownership interest in,  
5 that may affect compliance obligations arising under this Final  
6 Judgment, including but not limited to a dissolution,  
7 assignment, sale, merger, or other action that would result in  
8 the emergence of a successor entity; the creation or dissolution  
9 of a subsidiary, parent, or affiliate that engages in any acts or  
10 practices subject to this Final Judgment; the filing of a  
11 bankruptcy petition; or a change in the corporate name or  
12 address, at least thirty (30) days prior to such change, *provided*  
13 that, with respect to any proposed change in the corporation  
14 about which the Defendants learn less than thirty (30) days  
15 prior to the date such action is to take place, Defendants shall  
16 notify the Commission as soon as is practicable after obtaining  
17 such knowledge.

18       B. Sixty (60) days after the date of entry of this Final Judgment,  
19 Defendants each shall provide a written report to the Commission,  
20 sworn to under penalty of perjury, setting forth in detail the manner  
21 and form in which they have complied and are complying with this  
22 Final Judgment. This report shall include, but not be limited to:

23       1. For Defendant Xiao Hua Li:

24           a. His then-current residence address, mailing addresses,  
25             and telephone numbers;

26           b. His then-current employment and business addresses  
27             and telephone numbers, a description of the business  
28             activities of each such employer or business, and the

1 title and responsibilities of Xiao Hua Li for each such  
2 employer or business; and

3 c. Any other changes required to be reported under  
4 Paragraph A of this Section; and

5 2. For all Defendants:

6 a. A copy of each acknowledgment of receipt of this Final  
7 Judgment obtained pursuant to Section X.

8 b. Any other changes required to be reported under  
9 Paragraph A of this Section.

10 C. For the purposes of this Final Judgment, Defendants shall, unless  
11 otherwise directed by the Commission's authorized representatives,  
12 mail all written notifications to the Commission to:

13 Regional Director  
14 Federal Trade Commission  
15 901 Market St., Suite 570  
16 San Francisco, CA 94103  
17 Re: **FTC v. Sagee U.S.A. Group, Inc.**

18 D. For purposes of the compliance reporting and monitoring required by  
19 this Final Judgment, the Commission is authorized to communicate  
20 directly with any Defendant.

## 21 IX. RECORD KEEPING PROVISIONS

22 IT IS FURTHER ORDERED that, for a period of six (6) years from the  
23 date of entry of this Final Judgment, in connection with any business involved in  
24 the advertising, marketing, promotion, offer for sale, distribution, or sale of any  
25 covered product, or any other health-related product, operated by any Defendant,  
26 or where any Defendant is a majority owner of the business or directly or  
27 indirectly manages or controls such a business, Defendants and their agents,  
28 employees, officers, corporations, successors, and assigns, and those persons in  
active concert or participation with them who receive actual notice of this Final

1 Judgment by personal service or otherwise, are hereby restrained and enjoined  
2 from failing to create and retain the following records:

- 3 A. Accounting records that reflect the cost of goods or services sold,  
4 revenues generated, and the disbursement of such revenues;
- 5 B. Personnel records accurately reflecting: the name, address, and  
6 telephone number of each person employed in any capacity by such  
7 business, including as an independent contractor; that person's job  
8 title or position; the date upon which the person commenced work;  
9 and the date and reason for the person's termination, if applicable;
- 10 C. Customer files containing the names, addresses, phone numbers,  
11 dollar amounts paid, quantity of items or services purchased, and  
12 description of items or services purchased, to the extent such  
13 information is obtained in the ordinary course of business;
- 14 D. Complaints and refund requests (whether received directly,  
15 indirectly, or through any third party) and any responses to those  
16 complaints or requests;
- 17 E. Copies of all sales scripts, training materials, advertisements, or other  
18 marketing materials utilized in the advertising, marketing, promotion,  
19 offering for sale, distribution, or sale of any covered product;
- 20 F. All records and documents necessary to demonstrate full compliance  
21 with each provision of this Final Judgment, including but not limited  
22 to copies of acknowledgments of receipt of this Final Judgment  
23 required by Section X, and all reports or lists submitted to the  
24 Commission pursuant to Sections VI, VII, and VIII; and
- 25 G. All materials that were relied upon in making any representations  
26 contained in the materials identified in Paragraph IX. E, including all  
27 documents evidencing or referring to the accuracy of any claim  
28 therein or to the efficacy of any covered product, including but not

1 limited to all tests, reports, studies, demonstrations, or other evidence  
2 that confirm, contradict, qualify, or call into question the accuracy of  
3 any claim about a covered product or the efficacy of such covered  
4 product, including complaints and other communications with  
5 consumers or with governmental or consumer protection agencies.  
6

7 **X. DISTRIBUTION OF FINAL JUDGMENT BY DEFENDANTS**

8 IT IS FURTHER ORDERED that, for a period of three (3) years from the  
9 date of entry of this Final Judgment, Defendants shall deliver copies of the Final  
10 Judgment as directed below:

11 A. **Defendants Sagee-California and Sagee-Nevada** must each deliver  
12 a copy of this Final Judgment to all of their respective principals,  
13 officers, directors, and managers. Defendants Sagee-California and  
14 Sagee-Nevada also must each deliver a copy of this Final Judgment  
15 to all of their respective employees, agents, and representatives who  
16 engage in conduct related to the subject matter of this Final  
17 Judgment. For current personnel, delivery shall be within five (5)  
18 days of service of this Final Judgment upon Defendants. For new  
19 personnel, delivery shall occur prior to them assuming their  
20 responsibilities.

21 B. **Defendant Xiao Hua Li:** For any business that Xiao Hua Li controls,  
22 directly or indirectly, or in which Defendant Xiao Hua Li has a  
23 majority interest, Defendant Xiao Hua Li must deliver a copy of this  
24 Final Judgment to all principals, officers, directors, and managers of  
25 that business. Defendant Xiao Hua Li must also deliver a copy of  
26 this Final Judgment to all employees, agents, and representatives of  
27 that business who engage in conduct related to the subject matter of  
28 this Final Judgment. For current personnel, delivery shall be within



1 five (5) days of service of this Order upon Defendant Xiao Hua Li.  
2 For new personnel, delivery shall occur prior to them assuming their  
3 responsibilities.

4 C. **Defendant Xiao Hua Li as employee or non-control person:** For  
5 any business where Defendant Xiao Hua Li is not a controlling  
6 person of a business but otherwise engages in conduct related to the  
7 subject matter of this Order, Defendant Xiao Hua Li must deliver a  
8 copy of this Final Judgment to all principals and managers of such  
9 business before engaging in such conduct.

10 D. **All Defendants** must secure a signed and dated statement  
11 acknowledging receipt of the Final Judgment, within thirty (30) days  
12 of delivery, from all persons receiving a copy of the Final Judgment  
13 pursuant to this Section.  
14

15 **XI. ACKNOWLEDGMENT OF RECEIPT OF FINAL JUDGMENT BY**  
16 **DEFENDANTS**

17 IT IS FURTHER ORDERED that each Defendant, within five (5) business  
18 days of receipt of this Final Judgment as entered by the Court, must submit to the  
19 Commission a truthful sworn statement acknowledging receipt of this Final  
20 Judgment.

21 //

22 //

23 //

24 //

25 //

26 //

27 //

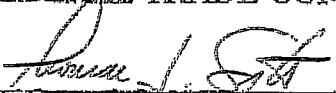
28 //

1 XII. RETENTION OF JURISDICTION


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

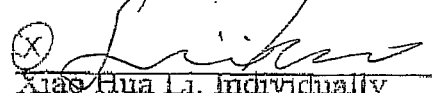
5  
6 SO STIPULATED:


7 FOR THE PLAINTIFF,  
8 FEDERAL TRADE COMMISSION:

9   
10 THOMAS J. SYTA  
11 Attorney for Plaintiff,  
12 Federal Trade Commission  
13 10877 Wilshire Blvd., Suite 700  
14 Los Angeles, CA 90024  
15 Ph: 310-824-4343/Fx: 310 824-4380


FOR THE DEFENDANTS:

16  2004.9.15  
17 Sagee U.S.A. Group, Inc.,  
18 a California Corporation  
19 by: Xiao Hua Li, President

20  2004.9.15  
21 Xiao Hua Li, Individually

22  2004.9.15  
23 Sagee U.S.A. Group, Inc.,  
24 a Nevada Corporation  
25 by: Anli Lin, President

26 ATTORNEY FOR DEFENDANTS:

27   
28 Vincent Y. Lin  
17890 Castleton St., Suite 29  
City of Industry, CA 91748  
Ph: 626-935-0929/Fx: 626-935-0380

IT IS SO ORDERED:

UNITED STATES DISTRICT JUDGE

DATED: \_\_\_\_\_

## ATTACHMENT A

### NOTICE TO DISTRIBUTORS

[To be printed on letterhead of Sagee-California]

[Name and address of recipient]

[Date]

Dear [distributor's name]:

On \_\_\_\_, Sagee U.S.A. Group, Inc., entered into a settlement with the Federal Trade Commission regarding advertising claims for the dietary supplement, Sagee. The agreement does not constitute an admission that Sagee U.S.A. Group, Inc. has violated any law. As part of the settlement, however, Sagee U.S.A. Group, Inc. has agreed to provide the following message to distributors of its products.

In the FTC settlement agreement, we have agreed, among other things, not to:

- Represent that Sagee or any other product repairs damaged brain cells; improves memory, concentration, attentiveness, and response times; slows down the brain's aging process and relieves aging-related syndromes; treats or alleviates insomnia, migraine headaches, neuroticism, schizophrenia, tinnitus, autism, Alzheimer's Disease, cerebral embolism, cerebral hemorrhage, epilepsy, Parkinson's Disease, senile dementia, or stroke; or increases the brain activity and learning ability of people with mental handicaps

unless we possess and rely upon competent and reliable scientific evidence that substantiates the representation. "Competent and reliable scientific evidence" means tests, analyses, research, studies, or other evidence based on the expertise of professionals in the relevant area, that have been conducted and evaluated in an objective manner by persons qualified to do so, using procedures generally accepted in the profession to yield accurate and reliable results. **Anecdotal evidence and consumer testimonials are not considered competent and reliable scientific evidence.**

We have also agreed not to misrepresent the contents, validity, results, conclusions, or interpretations of any test or study.

A copy of the stipulated Final Judgment is available from Sagee U.S.A. Group, Inc., upon request.