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FILED
CLERK, U.S. DISTRICT COURT
AUG - 9 2006
CENTRAL DISTRICT OF CALIFORNIA
DEPUTY

ENTERED
CLERK, U.S. DISTRICT COURT
AUG 10 2006
CENTRAL DISTRICT OF CALIFORNIA
DEPUTY

12 ATTORNEYS FOR PLAINTIFF
13 FEDERAL TRADE COMMISSION

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AUG - 8 AM 11:14
U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES

(B)

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

17 FEDERAL TRADE COMMISSION,
18 Plaintiff,
19 v.
20 SAGEE U.S.A. GROUP, INC.,
a California Corporation;
21 SAGEE U.S.A. GROUP, INC.,
a Nevada Corporation;
22 XIAO HUA LI, individually and
as an officer of Sagee U.S.A. Group, Inc.,
23 a California Corporation;
24 Defendants.

CV 04-10560-GPS (CWx)

**MODIFIED STIPULATED
FINAL JUDGMENT AND
ORDER FOR
PERMANENT
INJUNCTION AND
MONETARY RELIEF**

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1 Plaintiff, the Federal Trade Commission ("Commission" or "FTC") has filed
2 a Noticed, *Ex Parte* Application for a Temporary Restraining Order and Orders to
3 Show Cause Why a Preliminary Injunction Should Not Issue and Why Defendants
4 Should Not Be Held in Contempt ("Application for Orders to Show Cause") for
5 violating the Stipulated Final Judgment and Order for Permanent Injunction and
6 Monetary Relief entered by this Court on January 14, 2005 ("Stipulated Final
7 Judgment"). The Stipulated Final Judgment resolved the Commission's
8 Complaint for Permanent Injunction and Other Equitable Relief ("Complaint")
9 against Defendants.

10 The Commission and Defendants have stipulated to the entry of this
11 Modified Stipulated Final Judgment and Order for Permanent Injunction and
12 Monetary Relief ("Modified Order") in settlement of the Commission's
13 Application for Orders to Show Cause. The Court, being advised in the premises,
14 finds:

15
16 **FINDINGS**

- 17 1. This Court has jurisdiction over the subject matter of this case and
18 jurisdiction over all parties.
- 19 2. Venue in the Central District of California is proper.
- 20 3. The Complaint states a claim upon which relief can be granted, and the
21 Commission has the authority to seek the relief it has requested.
- 22 4. The acts and practices of Defendants were and are in or affecting commerce,
23 as defined in Section 4 of the FTC Act, 15 U.S.C. § 44.
- 24 5. Defendants agree to this Modified Order without any finding by the Court
25 on the proposed contempt action.
- 26 6. Defendants waive all rights to seek judicial review or otherwise challenge or
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1 contest the validity of this Modified Order. Defendants also waive any
2 claim that they may have held under the Equal Access to Justice Act, 28
3 U.S.C. § 2412, concerning the prosecution of this action to the date of this
4 Modified Order.

5 7. Each party shall bear its own costs and attorneys' fees.

6 8. Entry of this Modified Order is in the public interest.

7 9. This Modified Order resolves only claims against the named Defendants
8 and does not preclude the Commission from initiating further action or
9 seeking any remedy against any other persons or entities, including but not
10 limited to persons or entities who may be subject to portions of this
11 Modified Order by virtue of actions taken in concert or participation with
12 Defendants, and persons or entities in any type of indemnification or
13 contractual relationship with Defendants.

14
15 **DEFINITIONS**

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

- 17 1. "Commerce" means "commerce" as defined in Section 4 of the FTC Act, 15
18 U.S.C. § 44.
- 19 2. "Competent and reliable scientific evidence" means tests, analyses,
20 research, studies, or other evidence based on the expertise of professionals
21 in the relevant area, that has been conducted and evaluated in an objective
22 manner by persons qualified to do so, using procedures generally accepted
23 in the profession to yield accurate and reliable results.
- 24 3. "Covered product" means any dietary supplement, food, drug, device, or
25 service.
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4. "Defendants" means:

a. Sagee U.S.A. Group, Inc., a California Corporation ("Sagee"), its divisions and subsidiaries, its successors and assigns; and

b. Xiao Hua Li, individually and in his capacity as an officer of Sagee.

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

6. "Endorsement" shall have the same definition as in 16 C.F.R. § 255.0(b).

7. "Food" and "drug" mean as "food" and "drug" are defined in Section 15 of the FTC Act, 15 U.S.C. § 55.

8. "Including" in this Modified Order means "without limitation."

9. "Monitor distributors' advertising and promotional activities" means develop and follow written procedures that are reasonably designed to ensure distributors' compliance with this Modified Order. Such procedures include but are not limited to the regular review of all advertising and promotional activities of all distributors.

9. The terms "and" and "or" in this Modified Order shall be construed conjunctively or disjunctively as necessary, to make the applicable phrase or sentence inclusive rather than exclusive.

ORDER

I. EFFECT ON STIPULATED FINAL JUDGMENT

IT IS ORDERED that the Stipulated Final Judgment is hereby superceded by this Modified Order.

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1 **II. BAN ON DISEASE CLAIMS**

2 IT IS FURTHER ORDERED that Defendants, directly or through any
3 corporation, subsidiary, division, trade name, or other device, are hereby
4 permanently restrained and enjoined from making any representation, expressly or
5 by implication, including but not limited to through the use of endorsements, that a
6 covered product can prevent, mitigate, treat, or cure any disease. Nothing in this
7 Modified Order shall be read as an exception to this Section.

8
9 **III. PROHIBITED UNSUBSTANTIATED CLAIMS**

10 IT IS FURTHER ORDERED that Defendants, directly or through any
11 corporation, subsidiary, division, trade name, or other device, and their officers,
12 agents, servants, representatives, employees, and all persons or entities in active
13 concert or participation with them who receive actual notice of this Modified
14 Order, by personal service or otherwise, in connection with the manufacturing,
15 labeling, advertising, promotion, offering for sale, sale, or distribution of any
16 covered product, are hereby permanently restrained and enjoined from making any
17 representation, in any manner, expressly or by implication, including through the
18 use of endorsements, about the health benefits, performance, or efficacy of such
19 product, unless, at the time the representation is made, Defendants possess and
20 rely upon competent and reliable scientific evidence that substantiates the
21 representation.

22
23 **IV. PROHIBITED CLINICAL STUDIES CLAIMS**

24 IT IS FURTHER ORDERED that Defendants, directly or through any
25 corporation, subsidiary, division, trade name, or other device, and their officers,
26 agents, servants, representatives, employees, and all persons or entities in active
27

1 concert or participation with them who receive actual notice of this Modified
2 Order, by personal service or otherwise, in connection with the manufacturing,
3 labeling, advertising, promotion, offering for sale, sale, or distribution of any
4 covered product, are hereby permanently restrained and enjoined from
5 misrepresenting, in any manner, expressly or by implication, including through the
6 use of endorsements, the existence, contents, validity, results, conclusions, or
7 interpretations of any test, study, or research.

8
9 **V. MONETARY JUDGMENT AND CONSUMER REDRESS**

10 IT IS FURTHER ORDERED that:

11 A. Judgment is hereby entered against Defendants, jointly and severally,
12 in the amount of ONE MILLION THREE HUNDRED EIGHTY-
13 THREE THOUSAND FOUR HUNDRED TWENTY THREE
14 DOLLARS (\$1,383,423.00), less the TEN THOUSAND DOLLARS
15 (\$10,000.00) Defendants paid the Commission in 2005 by wire *MM*
16 transfer after entry of the Stipulated Final Judgment; provided,
17 however, that this judgment is suspended as long as the Court makes
18 no finding, as provided in Section VI of this Modified Order, that any
19 Defendant materially misrepresented or omitted the nature, existence,
20 or value of any asset.

21 B. In addition, Defendants are ordered to pay TEN THOUSAND *MM*
22 THREE HUNDRED NINETY SIX DOLLARS (\$10,396.00), *MM* which
23 payment must be made to the Commission, within five (5) days of
24 entry of this Modified Order, pursuant to instructions provided by the
25 Commission. Defendants have represented in a sworn statement
26 dated July 10, 2006 that this amount is the total amount of revenues,
27 *MM*

1 including shipping and handling fees, derived from their sale of Dia-
2 Cope, worldwide ("total Dia-Cope revenue"). If the Commission
3 demonstrates to the Court that the sworn statement does not
4 accurately account for their total Dia-Cope revenue, Defendants shall
5 pay the Commission an amount reflecting any additional Dia-Cope
6 revenue.

7 C. All funds paid pursuant to Sections V and VI shall be deposited into a
8 fund administered by the Commission or its agent to be used for
9 equitable relief, including but not limited to consumer redress and any
10 attendant expenses for the administration of any redress fund. In the
11 event that direct redress to consumers is wholly or partially
12 impracticable or funds remain after redress is completed, the
13 Commission may apply any remaining funds for such other equitable
14 relief (including consumer information remedies) as it determines to
15 be reasonably related to Defendants' practices alleged in the
16 complaint. Any funds not used for such equitable relief shall be
17 deposited to the United States Treasury as equitable disgorgement.
18 Defendants shall have no right to challenge the Commission's choice
19 of remedies or the manner of distribution.

20 D. Defendants acknowledge and agree that all money paid pursuant to
21 this Modified Order is irrevocably paid to the Commission for
22 purposes of settlement between the parties, and Defendants relinquish
23 all rights, title, and interest to such money. Defendants shall make no
24 claim or demand for return of the funds, directly or indirectly, through
25 counsel or otherwise, and in the event of bankruptcy of any
26 Defendant, such Defendant acknowledges that the funds are not part
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1 of the debtor's estate, nor does the estate have any claim or interest
2 therein.

3 E. Defendants are hereby required, in accordance with 31 U.S.C. § 7701,
4 to furnish to the Commission their respective taxpayer identifying
5 numbers (social security numbers or employer identification
6 numbers), which will be used for purposes of collecting and reporting
7 on any delinquent amount arising out of such Defendant's
8 relationship with the government.

9 F. Defendants waive any right to contest any of the allegations in the
10 Complaint or Application for Orders to Show Cause in any
11 subsequent litigation to collect amounts due pursuant to this Modified
12 Order, including but not limited to a nondischargeability complaint in
13 any bankruptcy proceeding.

14 G. The judgment entered pursuant to this Section is equitable monetary
15 relief, solely remedial in nature, and not a fine, penalty, punitive
16 assessment, or forfeiture.

17
18 **VI. RIGHT TO REOPEN**

19 IT IS FURTHER ORDERED that:

20 A. The Commission's agreement to this Modified Order is expressly
21 premised on the truthfulness, accuracy, and completeness of the
22 sworn statements Defendants submitted to the Commission after entry
23 of the Stipulated Final Judgment reaffirming the truthfulness,
24 accuracy, and completeness of the financial statements Defendants
25 provided to the FTC on approximately January 20, 2004; March 20,
26 2004; July 1, 2004; and August 6, 2004. If, upon motion by the
27

1 Commission, the Court finds that such financial statements contain
2 any material misrepresentation or omission, the suspended judgment
3 entered in Paragraph A of Section V of this Modified Order shall
4 become immediately due and payable, and interest computed at the
5 rate prescribed under 28 U.S.C. § 1961, as amended, shall
6 immediately begin to accrue on the unpaid balance; provided,
7 however, that in all other respects this Modified Order shall remain in
8 full force and effect unless otherwise ordered by the Court.

- 9 B. Any proceedings instituted under this Section shall be in addition to,
10 and not in lieu of, any other civil or criminal remedies as may be
11 provided by law, including but not limited to contempt proceedings or
12 any other proceedings that the Commission or the United States may
13 initiate to enforce this Modified Order. For purposes of this Section,
14 Defendants waive any right to contest any of the allegations in the
15 Complaint or Application for Orders to Show Cause.

16
17 **VII. MONITORING DISTRIBUTORS**

18 IT IS FURTHER ORDERED that:

- 19 A. Defendants shall not disseminate to any distributor any advertisement
20 containing any representations prohibited by this Modified Order.
21 B. Defendants shall not, directly or indirectly, authorize or encourage
22 any distributor to make any representations prohibited under this
23 Modified Order.
24 C. Within thirty (30) days after the date of entry of this Modified Order,
25 Defendant Sagee shall send by first class mail, postage prepaid, a
26 copy of the notice attached hereto as Attachment A to each
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1 distributor, to the extent that such distributor is known to said
2 Defendant through a diligent search of its records, including but not
3 limited to computer files, sales records, and inventory lists. The
4 mailing shall not include any other documents. The costs of this
5 mailing shall be borne by Defendants. Within five (5) days after the
6 date this mailing is completed, Defendant Sagee shall provide to the
7 Commission a list of all persons to whom Attachment A was sent,
8 together with the addresses to which it was mailed.

9 D. For a period of one (1) year following the date of entry of this
10 Modified Order, Defendant Sagee shall send by first class mail,
11 postage prepaid, a copy of the notice attached hereto as Attachment A
12 to each distributor with whom said Defendant begins doing business
13 after the date of entry of this Modified Order. Said Defendant shall
14 send such notice prior to any sale or distribution of any covered
15 product to said distributor. The mailing shall not include any other
16 documents. The costs of this mailing shall be borne by Defendants.

17 E. Defendant Sagee shall secure from each distributor to whom a notice
18 is sent pursuant to Paragraphs C or D a signed and dated statement
19 acknowledging receipt of such and, as to any distributor who has not
20 provided such a statement, shall not sell or distribute any covered
21 product to any such distributor, or accept any orders for any covered
22 product submitted by or on behalf of any such distributor. A form
23 acknowledgment may be included in the mailings described in
24 Paragraphs C and D.

25 F. Defendant Sagee shall monitor distributors' advertising and
26 promotional activities, including representations made verbally or
27

1 through electronic communications. In the event that Defendant
2 Sagee receives any information that, subsequent to receipt of
3 Attachment A pursuant to Paragraphs C or D, any distributor is using
4 or disseminating any advertisement or promotional material or
5 making any verbal statement that contains any representation
6 prohibited by this Modified Order, Defendant Sagee shall
7 immediately terminate said distributor's right to market Defendants'
8 products and shall immediately notify the Commission, by certified
9 mail, of all relevant information, including name, address, and
10 telephone number of the company or individual making such
11 representations. With respect to any distributor whose right to market
12 has been terminated pursuant to the terms of this Paragraph,
13 Defendants shall not sell or distribute any covered product to any
14 such distributor, or accept any orders for any covered product
15 submitted by or on behalf of any such distributor.

- 16 G. Defendant Sagee shall require distributors to submit to it all
17 advertising and promotional materials and claims for any covered
18 product for approval prior to their dissemination and publication.
19 Defendant Sagee shall not authorize distributors to disseminate these
20 materials and claims unless such materials and claims are in
21 compliance with this Modified Order.

22
23 **VIII. COMPLIANCE MONITORING**

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

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

B. In addition, the Commission is authorized to monitor compliance and investigate matters relating to any provision of this Modified Order by all other lawful means, including but not limited to the following:

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

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

Provided, however, that nothing in this Modified 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 and 57b-1, to obtain any documentary material, tangible things, testimony, or information relevant to unfair or deceptive acts or practices in or affecting commerce (within the meaning of 15 U.S.C. § 45(a)(1)).

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1 **IX. COMPLIANCE REPORTING BY DEFENDANTS**

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

4 A. For a period of five (5) years from the date of entry of this Modified
5 Order,

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

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

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

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

22 2. Defendants shall notify the Commission of any changes in the
23 corporate structure of Defendant Sagee or any business entity
24 that Defendant Xiao Hua Li directly or indirectly controls or
25 has an ownership interest in, that may affect compliance
26 obligations arising under this Modified Order, including but
27

1 not limited to a dissolution, assignment, sale, merger, or other
2 action that would result in the emergence of a successor entity;
3 the creation or dissolution of a subsidiary, parent, or affiliate
4 that engages in any acts or practices subject to this Modified
5 Order; the filing of a bankruptcy petition; or a change in the
6 corporate name or address, at least thirty (30) days prior to such
7 change, provided that, with respect to any proposed change in
8 the corporation about which the Defendants learn less than
9 thirty (30) days prior to the date such action is to take place,
10 Defendants shall notify the Commission as soon as is
11 practicable after obtaining such knowledge.

12 B. Sixty (60) days after the date of entry of this Modified Order,
13 Defendants each shall provide a true and accurate written report to the
14 Commission, sworn to under penalty of perjury, setting forth in detail
15 the manner and form in which they have complied and are complying
16 with this Modified Order. This report shall include, but not be
17 limited to:

- 18 1. For Defendant Xiao Hua Li:
 - 19 a. His then-current residence address, mailing addresses,
20 and telephone numbers;
 - 21 b. His then-current employment and business addresses and
22 telephone numbers, a description of the business
23 activities of each such employer or business, and the title
24 and responsibilities of Xiao Hua Li for each such
25 employer or business; and
 - 26 c. Any other changes required to be reported under
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Paragraph A of this Section; and

2. For all Defendants:

- a. A copy of each acknowledgment of receipt of this Modified Order obtained pursuant to Section XII.
- b. Any other changes required to be reported under Paragraph A of this Section.

C. Sixty (60) days after the date of entry of this Modified Order, Defendants shall provide a copy of all written procedures developed and maintained pursuant to Paragraph F in Section VII.

D. For the purposes of this Modified Order, Defendants shall, unless otherwise directed by the Commission's authorized representatives, mail all written notifications to the Commission to:

Associate Director
Division of Enforcement
Federal Trade Commission
600 Pennsylvania Avenue
Mail Drop NJ-2122
Washington, D.C. 20580
Re: **FTC v. Sagee U.S.A. Group, Inc.**

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

X. RECORD KEEPING PROVISIONS

IT IS FURTHER ORDERED that, for a period of eight (8) years from the date of entry of this Modified Order, in connection with any business involved in the advertising, marketing, promotion, offer for sale, distribution, or sale of any covered product, or any other health-related product, operated by any Defendant, or where any Defendant is a majority owner of the business or directly or

1 indirectly manages or controls such a business, Defendants and their agents,
 2 employees, officers, corporations, successors, and assigns, and those persons in
 3 active concert or participation with them who receive actual notice of this
 4 Modified Order by personal service or otherwise, are hereby restrained and
 5 enjoined from failing to create and retain the following records:

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

1 submitted to the Commission pursuant to Sections VII, VIII, and IX;
2 and

- 3 G. All materials that were relied upon in making any representations
4 contained in the materials identified in Paragraph X. E, including all
5 documents evidencing or referring to the accuracy of any claim
6 therein or to the efficacy of any covered product, including but not
7 limited to all tests, reports, studies, demonstrations, or other evidence
8 that confirm, contradict, qualify, or call into question the accuracy of
9 any claim about a covered product or the efficacy of such covered
10 product, including complaints and other communications with
11 consumers or with governmental or consumer protection agencies.
12

13 **XI. DISTRIBUTION OF MODIFIED ORDER BY DEFENDANTS**

14 IT IS FURTHER ORDERED that, for a period of five (5) years from the
15 date of entry of this Modified Order, Defendants shall deliver copies of the
16 Modified Order as directed below:

- 17 A. **Defendant Sagee:** Defendant Sagee must deliver a copy of this
18 Modified Order to all of its principals, officers, directors, and
19 managers. Defendant Sagee also must deliver a copy of this Modified
20 Order to all of its employees, agents, and representatives who engage
21 in conduct related to the subject matter of this Modified Order. For
22 current personnel, delivery shall be within five (5) days of service of
23 this Modified Order upon Defendants. For new personnel, delivery
24 shall occur prior to them assuming their responsibilities.
- 25 B. **Defendant Xiao Hua Li as Control Person:** For any business that
26 Xiao Hua Li controls, directly or indirectly, or in which Defendant
27

1 Xiao Hua Li has a majority interest, Defendant Xiao Hua Li must
 2 deliver a copy of this Modified Order to all principals, officers,
 3 directors, and managers of that business. Defendant Xiao Hua Li
 4 must also deliver a copy of this Modified Order to all employees,
 5 agents, and representatives of that business who engage in conduct
 6 related to the subject matter of this Modified Order. For current
 7 personnel, delivery shall be within five (5) days of service of this
 8 Order upon Defendant Xiao Hua Li. For new personnel, delivery
 9 shall occur prior to them assuming their responsibilities.

10 **C. Defendant Xiao Hua Li as employee or non-control person:** For
 11 any business where Defendant Xiao Hua Li is not a controlling
 12 person of a business but otherwise engages in conduct related to the
 13 subject matter of this Order, Defendant Xiao Hua Li must deliver a
 14 copy of this Modified Order to all principals and managers of such
 15 business before engaging in such conduct.

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

20
 21 **XII. ACKNOWLEDGMENT OF RECEIPT OF MODIFIED ORDER BY**
 22 **DEFENDANTS**

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

0021.030

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XIII. RETENTION OF JURISDICTION

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

**STIPULATED AND AGREED TO:
FOR THE PLAINTIFF FEDERAL TRADE COMMISSION:**

Malini Mithal
MALINI MITHAL
CAROL J. JENNINGS
ROBERT S. KAYE
BARBARA CHUN
Federal Trade Commission

Dated: 8-7-2006

FOR THE DEFENDANTS:

[Signature]
Sage U.S.A. Group, Inc.,
A California corporation
By: Xiao Hua Li, President

Dated: 07-10-2006

[Signature]
Xiao Hua Li, individually

Dated: 07-10-2006

Attorney for Defendants
[Signature]
Vincent P. [unintelligible]
17800 Castleon Street, Suite 265
City of Industry, California 91748

Dated: 7-16-2006

IT IS SO ORDERED, this 7th day of Aug., 2006, at _____

[Signature]
GEORGE P. SCHIAVELLI
UNITED STATES DISTRICT JUDGE

ATTACHMENT A

NOTICE TO DISTRIBUTORS

[To be printed on Sagee U.S.A. Group, Inc.'s letterhead]

[Name and address of recipient]

[Date]

Dear [Distributor's name]:

On July __, 2006, Sagee U.S.A. Group, Inc. ("Sagee USA") and its Chief Executive Officer, Mr. Xiao Hua Li, entered into a settlement with the Federal Trade Commission ("FTC") prohibiting certain advertising claims for covered products, which include dietary supplements such as Sagee and Dia-Cope, as well as foods, drugs, devices, or services. The agreement does not constitute an admission that Sagee USA or Mr. Li has violated any law. As part of the settlement, however, Sagee USA and Mr. Li have agreed to provide this letter to distributors of its products.

In the FTC settlement agreement, Sagee USA and Mr. Li have agreed, among other things, not to:

- represent, expressly or by implication, that any covered product can prevent, mitigate, treat, or cure any disease;
- make any representation, expressly or by implication, about the health benefits, performance, or efficacy of any covered product, unless Sagee USA and Mr. Li possess and rely upon competent and reliable scientific evidence¹ that substantiates the representation; and
- misrepresent the contents, validity, results, conclusions, or interpretations of any test or study.

A copy of the settlement agreement is available from Sagee USA upon request.

Sincerely,

[Name]

[Position at Sagee U.S.A. Group, Inc.]

¹ "Competent and reliable scientific evidence" means tests, analyses, research, studies, or other evidence based on the expertise of professionals in the relevant area, that has 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.

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