

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

WILLIAM BLUMENTHAL
General Counsel

JOHN D. JACOBS, Cal. Bar #134154
JENNIFER M. BRENNAN, Cal. Bar #225473
BARBARA Y.K. CHUN, Cal. Bar #186907
Federal Trade Commission
10877 Wilshire Blvd., Ste. 700
Los Angeles, CA 90024
(310) 824-4343 (voice)
(310) 824-4380 (fax)
E-mail: jjacobs@ftc.gov; jmbrennan@ftc.gov; bchun@ftc.gov

DAVID C. FIX (pro hac vice)
Federal Trade Commission
600 Pennsylvania Ave., N.W
H-238
Washington, D.C. 20580
(202) 326-3298 (voice)
(202) 326-3395 (fax)
E-mail: dfix@ftc.gov

Attorneys for Plaintiff FTC

SEND
FILED
CLERK, U.S. DISTRICT COURT
DEC 13 2005
CENTRAL DISTRICT OF CALIFORNIA
BY [Signature] DEPUTY

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

Case No. CV-02-9270 DSF (AJWx)

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

TREK ALLIANCE, INC., et al.,

Defendants.

**STIPULATED FINAL ORDER
FOR PERMANENT INJUNCTION AND
OTHER EQUITABLE RELIEF
AGAINST CORPORATE DEFENDANTS
TREK ALLIANCE, INC., TREK
EDUCATION CORP., AND VONFLAGG
CORP.**

Plaintiff Federal Trade Commission ("Commission" or "FTC") filed a
Complaint for a permanent injunction and other equitable relief pursuant to Section
13(b) of the Federal Trade Commission Act ("FTC Act"). The Complaint charged
Defendants with violations of Section 5(a) of the FTC Act, as amended, 15 U.S.C.

LOGGED

2005 DEC - 12
CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
BY [Signature]

DOCKETED ON CM
DEC 14 2005
BY [Signature] 005

303

1 Plaintiff FTC and Corporate Defendants Trek Alliance, Inc., Trek Education
2 Corp., and VonFlagg Corp. have agreed to entry of this Stipulated Final Order for
3 Permanent Injunction and Other Equitable Relief ("Order") by the Court to resolve
4 all charges against the Corporate Defendants set forth in the Complaint and all
5 matters in dispute between Plaintiff and the Corporate Defendants in this action.
6 Corporate Defendants have consented to entry of this Order without trial or
7 adjudication of any issue of law or fact herein and have agreed that entry of this
8 Order in the docket by the Court will constitute notice to them of the terms and
9 conditions of the Order. Plaintiff and the Corporate Defendants having requested
10 the Court to enter this Order, the Court hereby finds and orders as follows:

11 **FINDINGS**

12 1. This is an action instituted by the Commission under Section 13(b) of
13 the FTC Act in connection with Defendants' sale and offering for sale of the right to
14 participate in Defendants' multi-level marketing program. The Complaint seeks
15 permanent injunctive and other equitable relief against Defendants.

16 2. This Court has jurisdiction of the subject matter of this case and over
17 each of the Corporate Defendants. Venue in the Central District of California is
18 proper.

19 3. The Complaint states a claim upon which relief may be granted against
20 each of the Corporate Defendants under Sections 5(a) and 13(b) of the FTC Act, 15
21 U.S.C. §§ 45(a) and 53(b).

22 4. Plaintiff has the authority under Section 13(b) of the FTC Act, 15
23 U.S.C. § 53(b), to seek the relief it has requested.

24 5. The activities of each of the Corporate Defendants charged in the
25 Complaint are in or affecting commerce, as defined in Section 4 of the FTC Act, 15
26 U.S.C. § 44.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

II.

Prohibited Representations

IT IS FURTHER ORDERED that each of the Corporate Defendants, and the agents, servants, employees, and attorneys of any of them, and all persons or entities under the control of any of them, and all other persons or entities in active concert or participation with any of them who receive actual notice of this Order by personal service or otherwise, and each such person, whether acting directly or through any corporation, business entity or person under any of the Corporate Defendants' control, in connection with the advertising, offering, marketing, promotion or sale of Business Ventures, **are hereby prohibited** from:

1. Falsely representing, expressly or by implication, the amount of earnings or income that can be or which is likely to be derived from the acquisition of the Business Venture;
2. Falsely representing, expressly or by implication, that persons who acquire the Business Venture are likely to realize substantial financial gain;
3. Falsely representing, expressly or by implication, the benefits that can or are likely to be derived from acquiring the Business Venture;
4. Falsely representing, expressly or by implication, the amount of sales that owners or acquirers of the Business Venture have made, or that acquirers of the Business Venture can or are likely to make;
5. Falsely representing, expressly or by implication, that all or most of the people who fail to make significant income from the Business Venture failed to devote substantial or sufficient effort;
6. Falsely representing, expressly or by implication, that salaried or permanent employment opportunities are available; and
7. Falsely representing, expressly or by implication, any other material fact.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

III.

Prohibition Against Material Omissions and Lack of Substantiation

IT IS FURTHER ORDERED that each of the Corporate Defendants, whether acting directly or through any corporation, business entity or person under the control of any of them, in connection with the advertising, offering, marketing, promotion or sale of Business Ventures, **is hereby prohibited** from:

A. Failing to disclose, clearly and conspicuously, before any consumer pays any money in connection with acquiring a Business Venture, all information material to the decision to acquire the Business Venture, including information that is known or should reasonably be known to the defendant regarding actual income and profits of other acquirers of the Business Venture;

B. Making any representation, expressly or by implication, regarding the amount or level of income that an acquirer of the Business Venture can reasonably expect to make unless, at the time such representation is made, a reasonable basis exists for such representation and the defendant has in its possession material that constitutes a reasonable basis for such representation, which representation is made available to the Commission or its representatives upon reasonable demand.

IV.

Equitable Monetary Relief

A. **IT IS FURTHER ORDERED** that judgment in the amount of FIFTEEN MILLION DOLLARS (\$15,000,000.00) is hereby entered against the Corporate Defendants, jointly and severally.

B. **IT IS FURTHER ORDERED** that the \$1,200,000.00 that Northfield Insurance Company has agreed to pay pursuant to Directors and Officers and Corporate Liability policy number ER000151 shall be distributed in accordance with the Agreement appended hereto as Appendix 1. The \$600,000.00 payment directed to counsel for the Individual Defendants may be used only to pay outstanding attorneys fees and expenses that counsel for the Individual Defendants have accrued

1 in FTC v. Trek Alliance, Inc. None of this amount may be returned or passed
2 through to any of the Individual Defendants.

3 C. **IT IS FURTHER ORDERED** that the \$15,000,000.00 judgment
4 entered pursuant to Paragraph A of this Section shall be permanently suspended
5 upon receipt by the Commission of \$600,000.00 pursuant to the Agreement
6 appended hereto as Appendix 1.

7 V.

8 **Acknowledgment of Receipt**

9 **IT IS FURTHER ORDERED** that each of the Corporate Defendants, within
10 five (5) business days of receipt of this Order as entered by the Court, must submit
11 to the Commission a truthful sworn and notarized statement acknowledging receipt
12 of this Order.

13 VI.

14 **Record Keeping**

15 **IT IS FURTHER ORDERED** that, for a period of eight (8) years from the
16 date of entry of this Order, if any of the Corporate Defendants engages in the
17 advertising, offering, marketing, promoting or sale of Business Ventures, the
18 defendant is hereby restrained and enjoined from failing to create and retain the
19 following records:

20 A. Accounting records that reflect (i) the cost of goods or services sold,
21 (ii) revenues generated, and (iii) the disbursement of such revenues;

22 B. Personnel records accurately reflecting (i) the name, address, and
23 telephone number of each person employed in any capacity by such business,
24 including as an independent contractor; (ii) that person's job title or position; (iii) the
25 date upon which the person commenced work; and (iv) the date and reason for the
26 person's termination, if applicable;

27 C. Customer files containing the names, addresses, phone numbers, dollar
28 amounts paid, quantity of items or services purchased, and description of items or

SCANNED

1 services purchased, to the extent such information is obtained in the ordinary course
2 of business;

3 D. Computer records containing the name, address, and phone number of
4 each acquirer of the Business Venture (however denominated, including without
5 limitation sales representatives, distributors, or independent business owners), as
6 well as (i) dollar amounts paid by the acquirer to the business or any affiliate for any
7 purpose, and the date of each payment, and (ii) all commissions or other pecuniary
8 benefit paid to the acquirer and the date of each payment;

9 E. Complaints and refund requests (whether received directly, indirectly or
10 through any third party) and any responses to those complaints or requests;

11 F. Copies of all sales scripts, training materials, advertisements, and other
12 marketing materials; and

13 G. All records and documents necessary to demonstrate full compliance
14 with each provision of this Order, including but not limited to copies of
15 acknowledgments of receipt of this Order (required by Section IX below), and all
16 reports submitted to the FTC pursuant to Section X below.

17 VII.

18 **Compliance Monitoring**

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

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

SCANNED

1 B. In addition, the Commission and its representatives are authorized to
2 monitor compliance with this Order by all other lawful means, including but not
3 limited to the following:

- 4 1. obtaining discovery from any person, without further leave of
5 court, using the procedures prescribed by Fed. R. Civ. P. 30, 31,
6 33, 34, 36, and 45; and
- 7 2. communicating with any entity controlled in whole or in part by
8 the Corporate Defendants, or any of their employees, while
9 posing as consumers or prospective customers or suppliers,
10 without the necessity of identification or prior notice;

11 C. The Corporate Defendants shall not attempt to impose any restrictions,
12 beyond those imposed by law in the relevant jurisdiction, on the Commission's
13 ability to interview any employer, consultant, independent contractor, representative,
14 agent, or employee who has agreed to such an interview, relating in any way to any
15 conduct subject to this Order. In any such interview, the person interviewed may
16 have counsel present. This provision shall not be construed as a waiver by the
17 Defendant of any privilege or right, or as a grant of permission by the Defendant or
18 the Court to any person to disclose information or documents that could not be
19 disclosed in the absence of this provision.

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

25 VIII.

26 **Compliance Reporting by Defendants**

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

CANNED

1 A. For a period of five (5) years from the date of entry of this Order, the
2 Corporate Defendants shall notify the Commission of any changes in corporate
3 structure that may affect compliance obligations arising under this Order, including
4 but not limited to a dissolution, assignment, sale, merger, or other action that would
5 result in the emergence of a successor entity; the creation or dissolution of a
6 subsidiary, parent, or affiliate that engages in the advertising, offering, marketing,
7 promotion or sale of Business Ventures; the filing of a bankruptcy petition; or a
8 change in the corporate name or address, at least thirty (30) days prior to such
9 change, *provided* that, with respect to any proposed change in the business entity
10 about which the defendant learns less than thirty (30) days prior to the date such
11 action is to take place, the defendant shall notify the Commission as soon as is
12 practicable after obtaining such knowledge.

13 B. One hundred eighty (180) days after the date of entry of this Order, the
14 Corporate Defendants shall provide a written report to the FTC, sworn to under
15 penalty of perjury, setting forth in detail the manner and form in which the
16 defendants have complied and are complying with each section of this Order. This
17 report shall include, but not be limited to:

- 18 1. A copy of each acknowledgment of receipt of this Order obtained
- 19 by defendant pursuant to Section IX of this Order; and
- 20 2. Any other changes required to be reported under Paragraph A of
- 21 this Section; and

22 C. For the purposes of this Order, defendants shall, unless otherwise
23 directed by the Commission's authorized representatives, mail all written
24 notifications to the Commission to:

25 Federal Trade Commission
26 Attn: Assistant Regional Director
27 10877 Wilshire Blvd., Suite 700
28 Los Angeles, CA 90024
 Re: FTC v. Trek Alliance, Inc., CV-02-9270 (C.D. Cal.)

1 D. For purposes of the compliance reporting required by this Section,
2 Plaintiff is authorized to communicate directly with the defendant's chief executive
3 officer.

SCANNED

4 IX.

5 **Order Distribution by Defendants**

6 **IT IS FURTHER ORDERED** that, for a period of five (5) years from the
7 date of entry of this Order, each of the Corporate Defendants shall deliver a copy of
8 this Order to all of its principals, officers, directors, and managers. Each defendant
9 shall also deliver copies of this Order to all of its employees, agents, and
10 representatives who engage in conduct related to the subject matter of the Order,
11 prior to them assuming their responsibilities. Corporate Defendants shall secure a
12 signed and dated statement acknowledging receipt of the Order, within thirty (30)
13 days of delivery, from all persons receiving a copy of the Order pursuant to this
14 Section. The Corporate Defendants shall retain all acknowledgments and make
15 them available to the Commission upon request.

16 X.

17 **Receivership**

18 A. **IT IS FURTHER ORDERED** that the Receiver shall finalize the
19 affairs of the receivership estate as expeditiously as possible and shall then submit a
20 final report to the Court together with a request for termination of the receivership
21 and discharge. Upon termination of the receivership, the Receiver shall promptly
22 tender all records and items of the Corporate Defendants in the Receiver's
23 possession or control to the Individual Defendants. Should all of the Individual
24 Defendants decline such offer, the Receiver may dispose of remaining records and
25 documents as he sees fit.

26 B. **IT IS FURTHER ORDERED** that funds paid to or received by the
27 Commission pursuant to any stipulated final order with any Individual Defendant in
28 this matter shall, prior to any disbursement to consumers or the Treasury, be used

1 first to pay to the Receiver and Special Master, Robb Evans, all of the Receiver's
2 and Special Master's reasonable fees, expenses and liabilities that have been or will
3 be incurred in connection with this action and which cannot otherwise be paid out of
4 the receivership estate. CAPANED

5 XI.

6 **Independence of Obligations**

7 **IT IS FURTHER ORDERED** that each of the obligations imposed by this
8 Order is independent of all other obligations under the Order, and that the expiration
9 of any requirements imposed by this Order shall not affect any other obligation
10 arising under this Order.

11 XII.

12 **Costs and Attorneys Fees**

13 **IT IS FURTHER ORDERED** that each party to this Order bear its own costs
14 and attorneys fees incurred in connection with this action, provided that the
15 Receiver's costs and attorneys fees shall be paid in accordance with Section XVI of
16 the Preliminary Injunction in this matter, and with Section X of this Order.

17 XIII.

18 **Waiver of Claims**

19 **IT IS FURTHER ORDERED** that the Corporate Defendants waive and
20 release any and all claims they may have against the Plaintiff, its employees,
21 representatives, attorneys and agents for any acts or omissions prior to and up to the
22 date of this Order. They further waive and release any and all claims they may have
23 against the Receiver and his employees, representatives, attorneys and agents for
24 any acts or omissions prior to and up to the date of this Order.

25 XIV.

26 **Continued Jurisdiction**

27 **IT IS FURTHER ORDERED** that this Court shall retain jurisdiction of this
28 matter for all purposes, including construction, modification and enforcement of this

1 Order.

2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

XV.


Entry by Clerk

There being no just reason for delay, the Clerk of the Court is hereby directed to enter this Order.

SO STIPULATED:

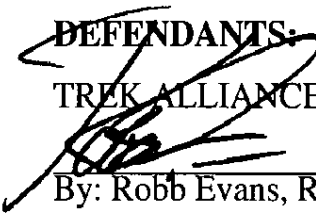
PLAINTIFF:
FEDERAL TRADE COMMISSION

Dated: December 6, 2005


John D. Jacobs
Jennifer M. Brennan
Barbara Y.K. Chun
David C. Fix
Attorneys for Plaintiff FTC

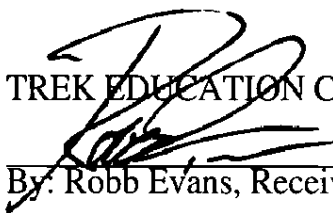
DEFENDANTS:
TREK ALLIANCE, INC.

Dated: Sept. 21st, 2005


By: Robb Evans, Receiver

TREK EDUCATION CORP.

Dated: Sept. 21st, 2005


By: Robb Evans, Receiver


VONFLAGG CORP.

Dated: Sept. 21st, 2005


By: Robb Evans, Receiver

IT IS SO ORDERED.

Dated: 12-13-05


Dale S. Fischer
United States District Judge

Agreement between Plaintiff, Defendants, and Northfield Insurance Company

SCANNED

Whereas Northfield Insurance Company (Northfield) issued Corporate Directors and Officers and Corporate Liability policy number ER000151 (Policy), with a policy limit of \$3,000,000.00, to Defendants Trek Alliance, Inc., Trek Education Corp., VonFlagg Corp., for the policy period of March 21, 2002 through March 21, 2003;

Whereas on December 6, 2002, Plaintiff Federal Trade Commission (Plaintiff or Commission) filed a lawsuit against Defendants Trek Alliance, Inc., Trek Education Corp., VonFlagg Corp., Jeffrey Kale Flagg, Richard Von Alvensleben, Tiffani Von Alvensleben, and Harry Flagg;

Whereas Plaintiff's Complaint alleges that, between 1997 and 2002, the Defendants engaged in deceptive conduct in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45(a);

Whereas Defendants and Plaintiff have claimed that the Policy covers some or all of the acts and omissions that form the basis of Plaintiff's Complaint;

Whereas Defendants and counsel for Plaintiff have tentatively stipulated to entry of final orders (Orders) that would settle Plaintiff's claims against Defendants, which must be approved by the Commission and the Court before they become final;

Therefore, Plaintiff, the Defendants, and Northfield agree as follows:

1. If the Orders are approved by the Commission and the Court, Northfield agrees to pay a total of \$1,200,000.00, within five court days after entry of the Orders, as follows:
 - a. Northfield shall pay \$600,000.00 to the Commission.
 - b. Northfield shall pay \$600,000.00 to counsel for the Individual Defendants,

SCANNED

as follows: \$500,000.00 shall be paid to the law firm of Shughart Thomson & Kilroy, P.C.; \$50,000.00 shall be paid to the law firm of Buchalter Nemer; and \$50,000.00 shall be paid to the law firm of Grimes & Reese, P.L.L.C. These payments may be used only to pay for outstanding attorneys fees and expenses that counsel for the Individual Defendants have accrued in FTC v. Trek Alliance, Inc. None of the \$600,000.00 may be returned or passed through to any of the Individual Defendants.

2. The Commission will deposit funds received pursuant to this Agreement into a fund administered by the Commission or its agent. Such funds shall be used for equitable relief in FTC v. Trek Alliance, Inc., including but not limited to consumer redress and any attendant expenses for the administration of any redress fund. In the event that direct redress to consumers is wholly or partially impracticable or funds remain after redress is completed, the Commission may apply any remaining funds for such other equitable relief (including consumer information remedies) as it determines to be reasonably related to Defendants' practices alleged in the complaint. Any funds not used as described above shall be deposited to the Treasury as disgorgement. Neither the Defendants nor Northfield shall have any right to challenge the Commission's choice of remedies under this Section, or to contest the manner of distribution chosen by the Commission.

3. As consideration for payment of \$600,000.00 to the Commission, the Commission hereby forever waives and releases any and all claims against Northfield under the Policy or any other claims based on the facts alleged in the Complaint.

///

SCANNED

4. Defendants agree to release Northland from all claims under the Policy in accordance with Attachment A hereto.

AGREED BY:



Jeffrey Kale Flagg

Richard Von Alvensleben

Tiffani Von Alvensleben

Harry Flagg

TREK ALLIANCE, INC.

By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of Trek Alliance, Inc.

TREK EDUCATION CORP.

By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of Trek Education Corp.

VONFLAGG CORP.

By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of VonFlagg Corp.

PLAINTIFF
FEDERAL TRADE COMMISSION:

By:
John D. Jacobs
Attorney for Plaintiff FTC

NORTHFIELD INSURANCE COMPANY

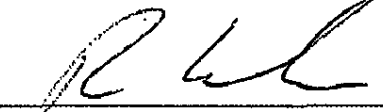
By:
Its

4. Defendants agree to release Northland from all claims under the Policy in accordance with Attachment A hereto.

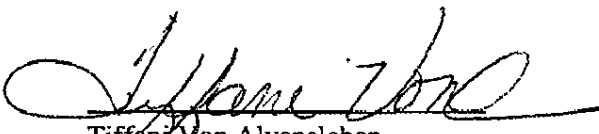
SCANNED

AGREED BY:

Jeffrey Kale Flagg



Richard Von Alvensleben



Tiffany Von Alvensleben

Harry Flagg

TREK ALLIANCE, INC.

By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of Trek Alliance, Inc.

TREK EDUCATION CORP.

By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of Trek Education Corp.

VONFLAGG CORP.

By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of VonFlagg Corp.

PLAINTIFF
FEDERAL TRADE COMMISSION:

By:
John D. Jacobs
Attorney for Plaintiff FTC

NORTHFIELD INSURANCE COMPANY

By:
Its

4. Defendants agree to release Northland from all claims under the Policy in accordance with Attachment A hereto.

SCANNED

AGREED BY:

Jeffrey Kale Flagg

Richard Von Alvensleben

Tiffani Von Alvensleben



Harry Flagg

TREK ALLIANCE, INC.

By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of Trek Alliance, Inc.

TREK EDUCATION CORP.

By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of Trek Education Corp.

VONFLAGG CORP.

By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of VonFlagg Corp.

PLAINTIFF
FEDERAL TRADE COMMISSION:

By:
John D. Jacobs
Attorney for Plaintiff FTC

NORTHFIELD INSURANCE COMPANY

By:
Its

SCANNED

4. Defendants agree to release Northland from all claims under the Policy in accordance with Attachment A hereto.

AGREED BY:

Jeffrey Kale Flagg

Richard Von Alvensleben

Tiffani Von Alvensleben

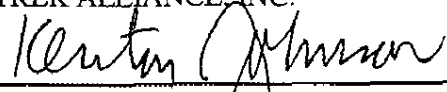
Harry Flagg

PLAINTIFF
FEDERAL TRADE COMMISSION:

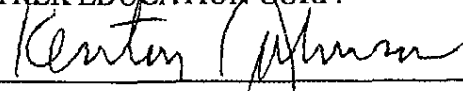
By:
John D. Jacobs
Attorney for Plaintiff FTC

NORTHFIELD INSURANCE COMPANY

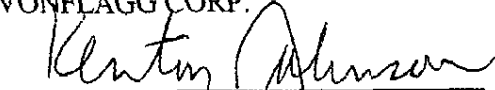
By:
Its

TREK ALLIANCE, INC.


By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of Trek Alliance, Inc.

TREK EDUCATION CORP.


By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of Trek Education Corp.

VONFLAGG CORP.


By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of VonFlagg Corp.

4. Defendants agree to release Northland from all claims under the Policy in accordance with Attachment A hereto.

SCANNED

AGREED BY:

Jeffrey Kale Flagg

Richard Von Alvensleben

Tiffani Von Alvensleben

Harry Flagg

TREK ALLIANCE, INC.

By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of Trek Alliance, Inc.

TREK EDUCATION CORP.

By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of Trek Education Corp.

VONFLAGG CORP.

By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of VonFlagg Corp.

PLAINTIFF
FEDERAL TRADE COMMISSION:

By:
John D. Jacobs
Attorney for Plaintiff FTC

Lee Laurson
NORTHEFIELD INSURANCE COMPANY

Lee J. Laurson

By:
Its *Director Major Case Liability*

4. Defendants agree to release Northland from all claims under the Policy in accordance with Attachment A hereto.

SCANNED

AGREED BY:

Jeffrey Kale Flagg

Richard Von Alvensleben

Tiffani Von Alvensleben

Harry Flagg

TREK ALLIANCE, INC.

By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of Trek Alliance, Inc.

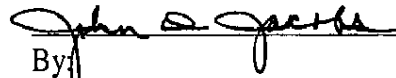
TREK EDUCATION CORP.

By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of Trek Education Corp.

VONFLAGG CORP.

By Kenton Johnson, Deputy Receiver, on behalf of Robb Evans, Receiver of VonFlagg Corp.

PLAINTIFF
FEDERAL TRADE COMMISSION:



By
John D. Jacobs
Attorney for Plaintiff FTC

NORTHFIELD INSURANCE COMPANY

By:
Its

GENERAL RELEASE AGREEMENT

SCANNED

This General Release Agreement (the "Agreement") is entered into between TREK ALLIANCE, INC., TREK EDUCATION CORPORATION, VONFLAGG CORPORATION, JEFFREY KALE FLAGG, RICHARD VON ALVENSLEBEN, TIFFANI VON ALVENSLEBEN and HARRY M. FLAGG (collectively the "TREK PARTIES"), on the one hand, and NORTHFIELD INSURANCE COMPANY ("NORTHFIELD") and all of its subsidiary, parent and affiliate corporations, on the other hand, and is made with reference to the following facts:

RECITALS

1. NORTHFIELD issued in favor of TREK ALLIANCE, INC., TREK EDUCATION CORPORATION and VONFLAGG CORPORATION its Private Company Directors and Officers and Corporate Liability (including Employment Practices Liability) Insurance Policy, Policy No. ER000151, covering the period from March 21, 2002, through March 21, 2003 (the "Policy").
2. On December 6, 2002, the FTC filed a complaint for injunctive relief and other equitable relief against the TREK PARTIES in the case styled *FTC v. Trek Alliance, Inc.; et al.*, United States District Court, Central District of California, Case No. CV-02-9270 (the "FTC Action").
3. Thereafter, certain of the TREK PARTIES requested reimbursement from NORTHFIELD under the Policy for the cost of their defense in the FTC Action (the "Trek Claim").
4. Thereafter, on June 24, 2003, the court in the FTC Action issued a Preliminary Injunction and appointed Robb Evans as permanent receiver for TREK ALLIANCE, INC., TREK EDUCATION CORPORATION and VONFLAGG CORPORATION.
5. On October 30, 2003, NORTHFIELD denied all liability under the Policy.
6. From time to time thereafter, and on December 22, 2003, the FTC demanded to NORTHFIELD that it pay to the FTC sums of money under the Policy (the "FTC Claim").

7. NORTHFIELD, on the one hand, and the TREK PARTIES on the other, are willing to settle all claims among them relating to amounts claimed owed under the Policy by the FTC or in any way arising from or pertaining to the FTC Action and/or the FTC Claim.

SCANNED

8. This agreement is prepared concurrently with a recommendation by FTC staff that the FTC approve settlements ("Proposed Settlements") of the FTC Action with the various TREK PARTIES, in which the FTC, *inter alia*, releases NORTHFIELD. This agreement is contingent upon the FTC's approval, and the court's approval, of the Proposed Settlements with the TREK PARTIES. This agreement is intended to be attached to each of the Proposed Settlements. This agreement shall take effect, and shall only take effect, upon the court's approval of the Proposed Settlements.

GENERAL RELEASE

NOW, THEREFORE, with reference to the foregoing facts and in consideration of the promises, covenants, and agreements set forth herein, the parties hereto agree as follows:

A. In consideration of the releases set forth herein, and contingent upon the court's approval of the Proposed Settlements, NORTHFIELD will pay the sum of \$1,200,000.00 to be allocated between the TREK PARTIES and the FTC pursuant to the terms of the Proposed Settlements between the FTC and the TREK PARTIES referenced above.

B. In exchange for said payment, and upon the court's approval of the Proposed Settlements, the TREK PARTIES for themselves and their successors, assigns, stockholders, insurers, parent, subsidiaries and affiliated companies, and any other person making claim under the Policy, hereby release, acquit and forever discharge NORTHFIELD, including, but not limited to, its subsidiary corporations, parent corporations, affiliate corporations, successors, assigns, agents, attorneys, stockholders, insurers, officers, directors, employees, or other representatives and their respective successors, assigns, agents, and attorneys, and the employees of any of them, from the FTC Action, the Trek Claim and the FTC Claim, and any and all known or unknown claims, damages, punitive damages, claims practices liability, costs, liabilities or causes of action arising therefrom, including by way of example and not of limitation all costs, fees, attorneys' fees (including "defense costs" as the term is used in the Policy), settlement payments regardless of form, and disbursements expended by or on behalf of the releasing party,

or any of them, and any and all matters related to the handling of the FTC Action, the Trek Claim and/or the FTC Claim.

C. NORTHFIELD, for itself and its successors, assigns, stockholders, insurers, parent, subsidiaries and affiliated companies, upon the court's approval of the Proposed Settlements, hereby releases, acquits and forever discharges TREK ALLIANCE, INC., TREK EDUCATION CORPORATION and VONFLAGG CORPORATION, including, but not limited to, their subsidiary corporations, parent corporations, affiliate corporations, successors, assigns, attorneys, insurers and their respective successors, assigns, and attorneys from the FTC Action, the Trek Claim and the FTC Claim, and any and all known or unknown claims, damages, punitive damages, costs, liabilities or causes of action arising therefrom and any and all matters related to the FTC Action, the Trek Claim and/or the FTC Claim.

D. The TREK PARTIES represent and warrant that the Trek Claim constitutes the entirety of the claims they have made, intend to make, and can make on the Policy as a result of the FTC Action.

E. TREK ALLIANCE, INC., TREK EDUCATION CORPORATION and VONFLAGG CORPORATION represent and warrant that they are authorized to act through the receiver Robb Evans, appointed pursuant to the Court's June 24, 2003 order referenced above.

F. All parties acknowledge that they are familiar with the provisions of California Civil Code Section 1542 which states:

"A general release does not extend to claims which a creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him, must have materially affected his settlement with the debtor."

To the extent California Civil Code Section 1542 is applicable to this Agreement, it, as well as the provisions of all comparable, equivalent or similar statutes or principles of common law, are voluntarily and expressly waived by all parties as to the Trek Claim, the FTC Claim and the FTC Action.

G. The TREK PARTIES and NORTHFIELD represent that no matter, claim or right released or to be released herein by them has previously been assigned.

H. This Agreement involves the release of claims which are contested by the parties, and neither any agreement, term nor provision contained herein shall be construed as an admission of liability by any party to this Agreement.

I. This Agreement constitutes the entire agreement and understanding of NORTHFIELD, on the other hand, and the TREK PARTIES, on the other hand, concerning the matters herein and supersedes and replaces all negotiations, and all proposed agreements, whether oral or written, concerning the subject matter of this Agreement. It is therefore agreed that all prior communications between NORTHFIELD, the TREK PARTIES and the FTC relating to or leading to this Agreement are finalized and memorialized herein.

J. Each individual signing this Agreement hereby represents and warrants that he is authorized and has capacity to do so, and represents and warrants that the Agreement memorialized herein has been submitted to and approved by the appropriate officers and/or governing body of his respective principal and that this Agreement has been reviewed with and agreed to following consultation with independent legal counsel.

K. This Agreement and any controversy arising therefrom shall in all respects be interpreted, enforced and governed by the laws of the State of California. This Agreement shall be construed as a whole according to its plain and fair meaning, and is not to be strictly construed for or against any of the parties hereto. This Agreement may be signed by counterparts.

L. None of the parties hereto has relied upon any representation, warranty or assurance other than as expressly set forth herein. The recitals and representations and warranties are part of this Agreement and shall survive the execution of this Agreement.

SCANNED

DATED: _____, 2005

TREK ALLIANCE, INC.

By: Robb Evans, Receiver of
Trek Alliance, Inc.

DATED: _____, 2005

TREK EDUCATION CORPORATION

By: Robb Evans, Receiver of
Trek Education Corp.

DATED: _____, 2005

VONFLAGG CORPORATION

By: Robb Evans, Receiver of
Von Flagg Corp.

DATED: 9/19, 2005



By: Jeffrey Kale Flagg

DATED: _____, 2005

By: Richard Von Alvensleben

DATED: _____, 2005

By: Tiffani Von Alvensleben

DATED: _____, 2005

By: Harry M. Flagg

[Signatures continued on next page]

DATED: _____, 2005

TREK ALLIANCE, INC.

By: Robb Evans, Receiver of
Trek Alliance, Inc.

SCANNED

DATED: _____, 2005

TREK EDUCATION CORPORATION

By: Robb Evans, Receiver of
Trek Education Corp.

DATED: _____, 2005

VONFLAGG CORPORATION

By: Robb Evans, Receiver of
Von Flagg Corp.

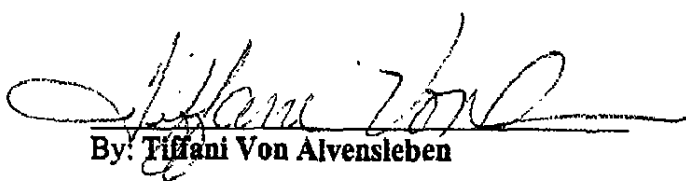
DATED: _____, 2005

By: Jeffrey Kale Flagg

DATED: 10-6, 2005


By: Richard Von Alvensleben

DATED: 10-6, 2005


By: Tiffani Von Alvensleben

DATED: _____, 2005

By: Harry M. Flagg

[Signatures continued on next page]

DATED: _____, 2005

TREK ALLIANCE, INC.

By: Robb Evans, Receiver of
Trek Alliance, Inc.

SCANNED

DATED: _____, 2005

TREK EDUCATION CORPORATION

By: Robb Evans, Receiver of
Trek Education Corp.

DATED: _____, 2005

VONFLAGG CORPORATION

By: Robb Evans, Receiver of
Von Flagg Corp.

DATED: _____, 2005

By: Jeffrey Kale Flagg

DATED: _____, 2005

By: Richard Von Alvensleben

DATED: _____, 2005

By: Tiffani Von Alvensleben

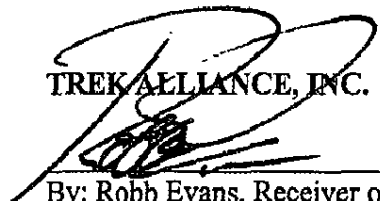
DATED: 10/12, 2005


By: Harry M. Flagg

[Signatures continued on next page]

DATED: Sept. 21st, 2005

TREK ALLIANCE, INC.

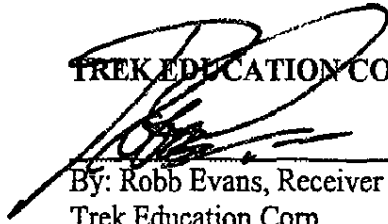


By: Robb Evans, Receiver of
Trek Alliance, Inc.

SCANNED

DATED: Sept. 21st, 2005

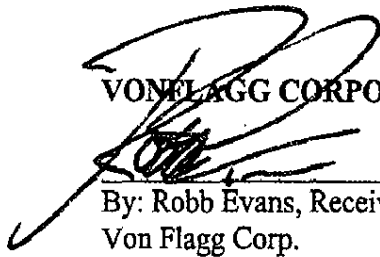
TREK EDUCATION CORPORATION



By: Robb Evans, Receiver of
Trek Education Corp.

DATED: Sept. 21st, 2005

VONFLAGG CORPORATION



By: Robb Evans, Receiver of
Von Flagg Corp.

DATED: _____, 2005

By: Jeffrey Kale Flagg

DATED: _____, 2005

By: Richard Von Alvensleben

DATED: _____, 2005

By: Tiffani Von Alvensleben

DATED: _____, 2005

By: Harry M. Flagg

[Signatures continued on next page]

DATED: _____, 2005

**NORTHFIELD INSURANCE
COMPANY**

SCANNED

By: _____

Its:

APPROVED BY COUNSEL AS TO FORM:

Shugart, Thomson & Kilroy

By: _____

D. J. Poyfair

Attorneys for **Jeffrey Kale Flagg,**
Richard Von Alvensleben, and
Tiffani Von Alvensleben

Buchalter Nemer

By: _____

Michael L. Wachtell

Attorneys for **Harry M. Flagg**

Frاندzel Robins Bloom & Csato, L.C.

By: _____

Gary O. Caris

Attorneys for Receiver **Robb Evans**

Anderson, McPharlin & Conners LLP

By: _____

David T. DiBiase

Attorneys for **Northfield Insurance Company**

DATED: _____, 2005

**NORTHFIELD INSURANCE
COMPANY**

SCANNED

By: _____
Its:

APPROVED BY COUNSEL AS TO FORM:

Shugart, Thomson & Kilroy

By: _____

D. J. Poyfair

**Attorneys for Jeffrey Kale Flagg,
Richard Von Alvensleben, and
Tiffani Von Alvensleben**

Buchalter Nemer

By:  _____

Michael L. Wachtell

Attorneys for Harry M. Flagg

Frاندzel Robins Bloom & Csato, L.C.

By: _____

Gary O. Caris

**Attorneys for Robb Evans, Receiver of Trek
Alliance, Inc., Trek Education Corp. and
VonFlagg Corp.**

Anderson, McPharlin & Conners LLP

By: _____

David T. DiBiase

Attorneys for Northfield Insurance Company

DATED: _____, 2005

**NORTHFIELD INSURANCE
COMPANY**

SCANNED

By:
Its:

APPROVED BY COUNSEL AS TO FORM:


Shugart, Thomson & Kilroy

By: _____
D. J. Poyfair
Attorneys for **Jeffrey Kale Flagg,
Richard Von Alvensleben, and
Tiffani Von Alvensleben**

Buchalter Nemer

By: _____
Michael L. Wachtell
Attorneys for **Harry M. Flagg**

Frاندzel Robins Bloom & Csato, L.C.

By:  _____
Gary O. Caris
Attorneys for **Robb Evans, Receiver of Trek
Alliance, Inc., Trek Education Corp. and
VonFlagg Corp.**

Anderson, McPharlin & Conners LLP

By: _____
David T. DiBiase
Attorneys for **Northfield Insurance Company**

Lee E. Hansen

DATED: October 21, 2005

NORTHFIELD INSURANCE
COMPANY

Lee E. Hansen

By: _____
Its: Director Major (off) Liability

SCANNED

APPROVED BY COUNSEL AS TO FORM:

Shugart, Thomson & Kilroy

By: _____
D. J. Poyfair
Attorneys for Jeffrey Kale Flagg,
Richard Von Alvensleben, and
Tiffani Von Alvensleben

Buchalter Nemer

By: _____
Michael L. Wachtell
Attorneys for Harry M. Flagg

Frاندzel Robins Bloom & Csato, L.C.

By: _____
Gary O. Caris
Attorneys for Robb Evans, Receiver of Trek
Alliance, Inc., Trek Education Corp. and
VonFlagg Corp.

Anderson, McPharlin & Conners LLP

By: _____
David T. DiBiase
Attorneys for Northfield Insurance Company

DATED: _____, 2005

**NORTHFIELD INSURANCE
COMPANY**

By: _____
Its: _____

SCANNED

APPROVED BY COUNSEL AS TO FORM:

Shugart, Thomson & Kilroy

By: _____
D. J. Poyfair
Attorneys for **Jeffrey Kale Flagg,
Richard Von Alvensleben, and
Tiffani Von Alvensleben**

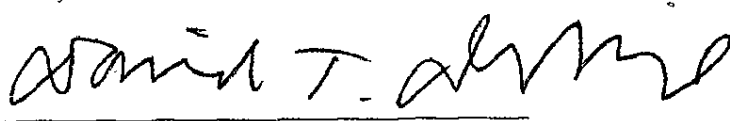
Buchalter Nemer

By: _____
Michael L. Wachtell
Attorneys for **Harry M. Flagg**

Frantzel Robins Bloom & Csato, L.C.

By: _____
Gary O. Caris
Attorneys for **Robb Evans, Receiver of Trek
Alliance, Inc., Trek Education Corp. and
VonFlagg Corp.**

Anderson, McPharlin & Conners LLP

By: 
David T. DiBiase
Attorneys for **Northfield Insurance Company**