

UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION

FILED CLERK, U.S. DISTRICT COURT MAR 14 2006 CENTRAL DISTRICT OF CALIFORNIA

FEDERAL TRADE COMMISSION, Plaintiff, v. WORLD TRADERS ASSOCIATION, INC., et al., Defendants.

CASE NO. CV 05-591 AHM (CTx) Hon. A. Howard Matz

STIPULATED JUDGMENT AND ORDER FOR PERMANENT INJUNCTION AS TO DEFENDANT SCOTT RINALDO

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This matter comes before the Court on a stipulation of Plaintiff Federal Trade Commission ("Commission" or "FTC") and Defendant Scott Rinaldo ("Defendant").

On January 25, 2005, the FTC filed a Complaint for a Permanent Injunction and Other Relief, including redress to consumers, pursuant to Sections 13(b) and 19(a) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 53(b) and 57b(a), and applied ex parte for a Temporary Restraining Order pursuant to Rule 65 of the Federal Rules of Civil Procedure. The Commission charged that Defendant Scott Rinaldo engaged with other named defendants in deceptive acts or practices in violation of Section 5 of the FTC Act, 15 U.S.C. § 45(a), and the Commission's Rule entitled Disclosure Requirements and Prohibitions Concerning Franchise and Business Opportunity Ventures (the "Franchise Rule"), 16 C.F.R. Part 436, in the marketing and sale of an alleged business opportunity to become an affiliate in a network of brokers selling surplus goods. On January 25, 2005 - the same day the Complaint was filed - the Court issued a Temporary Restraining Order with an asset freeze, appointment of a Receiver and other ancillary equitable relief ("TRO"). On February 22, 2005, upon stipulation of the parties, the Court entered a preliminary injunction. In addition to continuing the

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1 relief in the TRO, the preliminary injunction contained a ban against Defendant's  
2 involvement with business ventures involving the sale or purchase of discounted  
3 or surplus goods. On April 6, 2005, the FTC filed an Amended Complaint adding  
4 additional defendants.

5 The Commission and Defendant Scott Rinaldo hereby stipulate to the entry  
6 of, and request the Court to enter, this Stipulated Judgment and Order for  
7 Permanent Injunction ("Final Order") to resolve all matters of dispute between  
8 them in this action.

9 **IT IS THEREFORE STIPULATED, AGREED, AND ORDERED** as  
10 follows:

11 1. This Court has jurisdiction of the subject matter of this case and  
12 jurisdiction over the Defendant.

13 2. Venue in this District is proper under 15 U.S.C. § 53(b) and 28  
14 U.S.C. §§ 1391(b) and (c).

15 3. The activities of Defendant are in or affecting commerce, as defined  
16 in Section 4 of the FTC Act, 15 U.S.C. § 44.

17 4. The Amended Complaint states a claim upon which relief may be  
18 granted against Defendant under Sections 5(a), 13(b), and 19 of the FTC Act, 15  
19 U.S.C. §§ 45(a), 53(b), and 57b, and the Franchise Rule, 16 C.F.R. Part 436.

20 5. Defendant has entered into this Final Order freely and without  
21 coercion. Defendant further acknowledges that he has read the provisions of this  
22 Final Order and is prepared to abide by them.

23 6. The Plaintiff and Defendant have agreed that the entry of this Final  
24 Order resolves all matters of dispute between them arising from the Amended  
25 Complaint in this action, up to the date of entry of this Final Order.

26 7. Defendant waives all rights to seek appellate review or otherwise  
27 challenge or contest the validity of this Final Order. Defendant further waives and  
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1 releases any claim he may have against the Commission, its employees,  
2 representatives, or agents.

3 8. Defendant agrees that this Final Order does not entitle Defendant to  
4 seek or to obtain attorneys' fees as a prevailing party under the Equal Access to  
5 Justice Act, 28 U.S.C. § 2412, as amended by Pub. L. 104-121, 110 Stat. 847, 863-  
6 864 (1996), and Defendant further waives any rights to attorneys' fees that may  
7 arise under said provision of law.

8 9. This Final Order is in addition to, and not in lieu of, any other civil or  
9 criminal remedies that may be provided by law.

10 10. Entry of this Final Order is in the public interest.

11 11. This Final Order is for settlement purposes only, and does not  
12 constitute an admission by Defendant that the law has been violated as alleged in  
13 the Amended Complaint, or that the facts as alleged in the Amended Complaint,  
14 other than jurisdictional facts, are true. However, for the purposes of bankruptcy  
15 proceedings, this Final Order is governed by Paragraph III.E.

16 **DEFINITIONS**

17 1. "Assets" means any legal or equitable interest in, right to, or claim to,  
18 any real and personal property, including, but not limited to, chattel, goods,  
19 instruments, equipment, fixtures, general intangibles, inventory, checks, notes,  
20 leaseholds, effects, contracts, mail or other deliveries, shares of stock, lists of  
21 consumer names, accounts, credits, premises, receivables, funds, and cash,  
22 wherever located, whether in the United States or abroad;

23 2. "Business venture" means any written or oral business arrangement,  
24 however denominated, regardless of whether covered by the Franchise Rule,  
25 which consists of the payment of any consideration in exchange for:

26 a. The right or means to offer, sell, or distribute goods or services  
27 (regardless of whether identified by a trademark, service mark, trade name,  
28 advertising, or other commercial symbol); and

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b. More than nominal assistance to any person or entity in connection with or incident to the establishment, maintenance, or operation of a new business or the entry by an existing business into a new line or type of business;

3. "Franchise Rule" means the FTC Trade Regulation Rule entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures," 16 C.F.R. Part 436, as promulgated or as the Rule may hereinafter be amended or superseded by any future trade regulation rule or rules, in whole or in part;

4. "Defendant" means Scott Douglas Rinaldo, whether acting directly or indirectly through any heir, successor, assign, agent, employee, entity, corporation, limited liability company, subsidiary, division or other device; and

5. "Document" is synonymous in meaning and equal in scope to the usage of the term in Fed. R. Civ. P. 34(a), and includes writings, drawings, graphs, charts, photographs, audio and video recordings, computer records, and other data compilations from which information can be obtained and translated, if necessary, through detection devices into reasonably usable form. A draft or non-identical copy is a separate document within the meaning of the term.

6. "Receiver" shall mean Robb Evans and Associates, the Receiver appointed by the Court in this matter over Receivership Defendants.

**ORDER**

**I. BAN AGAINST ANY INVOLVEMENT BY DEFENDANT IN THE OFFER OR SALE OF A BUSINESS VENTURE**

**IT IS THEREFORE ORDERED** that Defendant is hereby permanently restrained and enjoined from:

A. Advertising, marketing, promoting, offering for sale, or selling any business venture to any person;

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1 B. Receiving any remuneration or other consideration of any kind  
2 whatsoever from any business entity engaged in or assisting in the advertising,  
3 marketing, promoting, offering for sale, or sale of any business venture;

4 C. Holding any ownership interest, share, or stock in any business entity  
5 engaged in or assisting in the advertising, marketing, promoting, offering for sale,  
6 or sale of any business venture: or

7 D. Serving as an employee, officer, director, trustee, general manager of,  
8 or consultant or advisor to any business entity engaged in or assisting in the  
9 advertising, marketing, promoting, offering for sale, or sale of any business  
10 venture.

11 **II. PROHIBITION AGAINST VIOLATION OF SECTION 5**  
12 **OF THE FEDERAL TRADE COMMISSION ACT**

13 **IT IS FURTHER ORDERED** that, in connection with the offering for sale  
14 or sale of any good or service, Defendant, and those persons in active concert or  
15 participation with Defendant who receive actual notice of this Final Order by  
16 personal service or otherwise, are hereby permanently restrained and enjoined  
17 from:

18 A. Misrepresenting, directly or by implication, orally or in writing, to  
19 any potential purchaser of goods or services, any material fact, including, but not  
20 limited to:

21 1. The total cost to purchase, receive, or use, and the quantity of,  
22 any goods or services that are subject to the sales offer;

23 2. Any material restrictions, limitations, or conditions to purchase,  
24 receive, or use the goods or services;

25 3. Any material aspect of the nature or terms of a refund,  
26 cancellation, exchange or repurchase policy for the goods or services; or

27 4. The income, profits, or sales volume likely to be achieved from  
28 the goods or services.

1 B. Providing substantial assistance to any third party to make any  
2 material misrepresentation, including, but not limited to, those misrepresentations  
3 prohibited by Paragraph II.A., above.

4 **III. MONETARY JUDGMENT**

5 **IT IS FURTHER ORDERED** that:

6 A. Defendant is liable to the Commission for Thirty Million Seven  
7 Hundred and Seven Thousand Dollars (\$30,707,000), which Defendant agrees is  
8 the amount of injury suffered by consumers, and the FTC is awarded a monetary  
9 judgment in this amount; *provided, however*, that payment of this judgment shall  
10 be suspended; *provided, further*, that the freeze of Defendant's assets shall be  
11 lifted permanently upon the entry of this Final Order; and *provided, further*, that if  
12 judgment is entered against any of the other defendants, the liability created by  
13 this judgment shall be joint and several with the liability of the other defendants.

14 B. Any and all funds paid pursuant to Paragraph IV shall be deposited  
15 into a fund administered by the Commission or its agent to be used for equitable  
16 relief; including, but not limited to, consumer redress and any attendant expenses  
17 for the administration of any redress fund. In the event that redress to purchasers  
18 is wholly or partially impracticable, or any funds remain after redress is  
19 completed, the Commission may apply any remaining funds to such other  
20 equitable relief (including consumer information remedies) as it determines to be  
21 reasonably related to Defendant's practices alleged in the Amended Complaint.  
22 Any funds not used for such equitable relief shall be deposited in the United States  
23 Treasury as disgorgement. Defendant shall have no right to contest the manner of  
24 distribution chosen by the Commission. The Commission in its sole discretion  
25 may use a designated agent to administer consumer redress.

26 C. In accordance with 31 U.S.C. § 7701, Defendant is hereby required,  
27 unless he has done so already, to furnish to the Commission his taxpayer  
28 identification numbers (social security numbers and employer identification

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1 numbers) which shall be used for purposes of collecting and reporting on any  
2 delinquent amount arising out of Defendant's relationship with the government.

3 D. Defendant is further required, unless he has done so already, to  
4 provide the Commission with clear, legible and full-size photocopies of all valid  
5 driver's licenses he possesses, which will be used for reporting and compliance  
6 purposes.

7 E. Defendant agrees that the facts as alleged in the Amended Complaint  
8 filed in this action shall be taken as true in any subsequent civil litigation pursued  
9 by the Commission to enforce its rights pursuant to this Final Order, including, but  
10 not limited to, a nondischargeability complaint in any bankruptcy proceeding.

**IV. RIGHT TO REOPEN**

12 A. The Commission's agreement to this Final Order is expressly  
13 premised upon the financial condition of Defendant as represented in the sworn  
14 financial statement and supporting documents he provided to the Commission  
15 dated January 30, 2005, and June 4, 2005, all of which include material  
16 information upon which the Commission relied in negotiating and consenting to  
17 this Final Order.

18 B. If, upon motion by the Commission, this Court finds that Defendant  
19 made a material misrepresentation or omitted material information concerning his  
20 financial condition, then the Court shall lift any suspension of the judgment and  
21 direct the Clerk to enter judgment against Defendant and in favor of the  
22 Commission for the full amount of Thirty Million Seven Hundred Seven Thousand  
23 Dollars (\$30,707,000). This amount shall be immediately due and payable,  
24 together with interest computed at the rate prescribed under 28 U.S.C. § 1961, as  
25 amended.

26 C. Any proceedings instituted under this Paragraph IV are in addition to,  
27 and not in lieu of, any other civil or criminal remedies as may be provided by law,  
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1 including any other proceedings that the FTC may initiate to enforce this Final  
2 Order.

3 **V. ACKNOWLEDGMENT OF RECEIPT OF ORDER**

4 **IT IS FURTHER ORDERED** that, within five (5) business days of receipt  
5 of this Final Order as entered by the Court, Defendant must submit to the  
6 Commission a truthful sworn statement acknowledging receipt of this Final Order.

7 **VI. DISTRIBUTION OF ORDER BY DEFENDANT**

8 **IT IS FURTHER ORDERED** that, for a period of five (5) years from the  
9 date of entry of this Final Order, Defendant shall deliver copies of this Final Order  
10 as directed below:

11 **A. Defendant as Control Person:** For any business that Defendant  
12 controls, directly or indirectly, or in which he has a majority ownership interest,  
13 Defendant must deliver a copy of this Final Order to all principals, officers,  
14 directors, and managers of that business. Defendant must also deliver copies of  
15 this Final Order to all employees, agents, and representatives of the business who  
16 engage in the offer or sale of opportunities, goods or services for investment or  
17 income-production. For current personnel, delivery shall be within five (5) days  
18 of service of this Final Order upon Defendant. For new personnel, delivery shall  
19 occur prior to their assumption of their responsibilities;

20 **B. Defendant as Employee or Non-Control Person:** For any business  
21 where Defendant is not a controlling person of the business, but for which he  
22 otherwise engages in the offer or sale of opportunities, goods or services for  
23 investment or income-production, Defendant must deliver a copy of this Final  
24 Order to all principals and managers of such business before engaging in such  
25 conduct; and

26 **C.** Defendant must secure a signed and dated statement acknowledging  
27 receipt of the Final Order within thirty (30) days of delivery, from all persons  
28 receiving a copy of the Final Order pursuant to this Paragraph VI.



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**VII. COMPLIANCE REPORTING BY DEFENDANT**

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

A. For a period of five (5) years from the date of entry of this Final Order, Defendant shall notify the Commission in writing of the following:

1. Any changes in Defendant's residence, mailing addresses, and telephone numbers, within ten (10) days of the date of such change;

2. Any changes in Defendant's employment status (including self-employment), within ten (10) days of such change. Such notice shall include the name and address of each business that Defendant is affiliated with, employed by, or performs services for; a statement of the nature of the business; and a statement of Defendant's duties and responsibilities in connection with the business;

3. Any changes in Defendant's name, and any aliases or fictitious names adopted or used by Defendant; and

4. Any changes in the corporate structure of any business entity that Defendant directly or indirectly controls, or has a majority ownership interest in, that may affect compliance obligations arising under this Final Order, including, but not limited to, a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Final Order; the filing of a bankruptcy petition; or a change in the corporate name or address, at least thirty (30) days prior to such change, *provided, however*, that with respect to any proposed change in such a business entity about which Defendant learns less than thirty (30) days prior to the date such action is to take place, Defendant shall notify the Commission as soon as is practicable after obtaining such knowledge.

B. One hundred eighty (180) days after the date of entry of this Final Order, and each year thereafter on the same date, through and including calendar

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1 year 2013, Defendant shall provide a written report to the FTC, sworn to under  
2 penalty of perjury, setting forth in detail the manner and form in which he has  
3 complied and is complying with this Final Order. This report shall include, but  
4 not be limited to:

5 1. The then-current residence address, mailing addresses, and  
6 telephone numbers of Defendant;

7 2. The then-current employment and business addresses and  
8 telephone numbers of Defendant, a description of the business activities of each  
9 such employer or business, and the title and responsibilities of Defendant for each  
10 such employer or business;

11 3. Any other changes required to be reported under Paragraph  
12 VII.A of this Final Order; and

13 4. A copy of each acknowledgment of receipt of this Final Order  
14 obtained by Defendant pursuant to Paragraph VI of this Final Order.

15 C. For the purposes of this Final Order, Defendant shall, unless  
16 otherwise directed by the Commission's authorized representatives, mail all  
17 written notifications to the FTC to:

18 Associate Director  
19 Division of Marketing Practices  
20 Federal Trade Commission  
21 600 Pennsylvania Ave., NW, Rm. 238  
22 Washington, DC 20580  
23 Re: FTC v. World Traders Association, et al.  
24 Case No. CV 05-0591.

25 D. For the purposes of this Paragraph VII, "employment" includes the  
26 performance of services as an employee, consultant, or independent contractor;  
27 and "employers" include any individual or entity for whom Defendant performs  
28 services as an employee, consultant, or independent contractor.

E. For purposes of the compliance reporting required by this Paragraph  
VII, the Commission is authorized to communicate directly with Defendant.

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**VIII. RECORD-KEEPING PROVISIONS**

**IT IS FURTHER ORDERED** that, for a period of eight (8) years from the date of entry of this Final Order, in connection with any business that Defendant directly or indirectly manages, controls, or has a majority ownership interest in, Defendant is hereby permanently restrained and enjoined from failing to create and retain the following records:

A. Accounting records that reflect the cost of goods or services sold, revenues generated, and the disbursement of such revenues;

B. Personnel records accurately reflecting: the name, address, and telephone number of each person employed in any capacity by such business, including as an independent contractor; that person's job title or position; the date upon which the person commenced work; and the date and reason for the person's termination, if applicable;

C. Customer files containing the names, addresses, phone numbers, dollar amounts paid, quantity of items or services purchased, and description of items or services purchased, to the extent such information is obtained in the ordinary course of business;

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

E. Copies of all sales scripts, training materials, advertisements, or other marketing materials disseminated by Defendant to any person, including e-mail and Internet web sites or web pages, relating to any good, service, company or web site of the Defendant; and

F. All records and documents necessary to demonstrate fully Defendant's compliance with each provision of this Final Order.

**IX. COMPLIANCE MONITORING**

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

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1 A. Within ten (10) days of receipt of written notice from a representative  
2 of the Commission, Defendant shall submit additional written reports, sworn to  
3 under penalty of perjury; produce documents for inspection and copying; appear  
4 for deposition; and/or provide entry during normal business hours to any business  
5 location in Defendant's possession or direct or indirect control for inspection of  
6 the business operation;

7 B. In addition, the Commission is authorized to monitor compliance with  
8 this Final Order by all other lawful means, including but not limited to, the  
9 following:

10 1. Obtaining discovery from any person, without further leave of  
11 court, using the procedures prescribed by Fed. R. Civ. P. 30, 31, 33, 34, 36, and  
12 45; and

13 2. Posing as consumers or suppliers to: Defendant, his  
14 employees, or any entity managed or controlled in whole or in part by Defendant,  
15 without the necessity of identification or prior notice.

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

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

26 **X. PROHIBITIONS INVOLVING CONSUMER LISTS**

27 **IT IS FURTHER ORDERED** that Defendant, and those persons in active  
28 concert or participation with Defendant who receive actual notice of this Final

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1 Order by personal service or otherwise, are hereby permanently restrained and  
2 enjoined from selling, renting, leasing, transferring, or otherwise disclosing the  
3 name, address, telephone number, credit card number, bank account number, e-  
4 mail address, or other identifying information of any person who paid any money  
5 to Defendant, at any time prior to entry of this Final Order, in connection with the  
6 advertising, promotion, marketing, offering for sale, or sale of any good or service;  
7 *provided, however*, that Defendant may disclose such identifying information to a  
8 law enforcement agency, or as required by any law, regulation or court order.

9 **XI. COOPERATION WITH RECEIVER**

10 **IT IS FURTHER ORDERED** that, so long as the Receivership remains in  
11 effect, Defendant shall cooperate fully with the Receiver in: (a) pursuing any and  
12 all claims by the Receivership against third parties; (b) assisting the Receiver in  
13 defending any and all actions or claims brought against the Receivership by third  
14 parties; and (c) executing any documents necessary to transfer assets or ownership  
15 interests to the Receiver pursuant to the terms of this Final Order.

16 **XII. FEES AND COSTS**

17 **IT IS FURTHER ORDERED** that each party to this Final Order hereby  
18 agrees to bear its own costs and attorneys' fees incurred in connection with this  
19 action.

20 **XIII. RETENTION OF JURISDICTION**

21 **IT IS FURTHER ORDERED** that this Court shall retain jurisdiction of  
22 this matter for purposes of construction, modification, and enforcement of this  
23 Final Order.

24 **XIV. ENTRY OF ORDER**


25 **IT IS FURTHER ORDERED** that there is no just reason for delay, and the  
26 Clerk of Court is hereby directed to enter this Order immediately.  
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**XV. COMPLETE SETTLEMENT**

The parties hereby consent to entry of this Final Order, which shall constitute a final judgment and order in this matter. The parties further stipulate and agree that the entry of this Final Order shall constitute a full, complete, and final settlement of this action.

SO ORDERED, this 10<sup>th</sup> day of March 2006.

  
A. HOWARD MATZ  
United States District Judge

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**STIPULATED BY:  
FOR THE PLAINTIFF:**

William Blumenthal  
General Counsel

*David R. Spiegel* Date: 3/8/06  
David R. Spiegel (N.Y. Bar  
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10877 Wilshire Blvd., Ste. 700  
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Facsimile (310) 824-4380

**FOR THE DEFENDANT:**

*S. Rinaldo* Date: 2/9/06  
Scott Douglas Rinaldo, *pro se*

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