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

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CLERK, U.S. DISTRICT COURT  
FEB 1 2 2007  
CENTRAL DISTRICT OF CALIFORNIA  
DEPUTY

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

WORLD TRADERS ASSOCIATION,  
INC., et al

Defendants.

CASE NO. CV 05-591 AHM (CTx)

*[Proposed]*  
STIPULATED JUDGMENT  
AND ORDER FOR PERMANENT  
INJUNCTION AS TO  
DEFENDANT JENNIFER  
KLOTTHOR

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FAXE

FILED  
CLERK, U.S. DISTRICT COURT  
FEB 4 2007  
CENTRAL DISTRICT OF CALIFORNIA  
BY

This matter comes before the Court on a stipulation of Plaintiff Federal Trade Commission ("Commission" or "FTC") and Defendant Jennifer Klotthor ("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 Jennifer Klotthor 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 Jennifer Klotthor hereby stipulate to the  
6 entry 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 over 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).

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 she 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 she 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. This Final Order is for settlement purposes only and does not  
11 constitute an admission by Defendant that the law has been violated as alleged in  
12 the Amended Complaint, or that the facts as alleged in the Amended Complaint,  
13 other than jurisdictional facts, are true.

14 **DEFINITIONS**

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

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

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

27 b. More than nominal assistance to any person or entity in  
28 connection with or incident to the establishment, maintenance, or operation of a

1 new business or the entry by an existing business into a new line or type of  
2 business;

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

8 4. "Defendant" means Jennifer Lynn Klotthor;

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

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

17 **ORDER**

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

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

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

24 B. Receiving any remuneration or other consideration of any kind  
25 whatsoever as a result of engaging or assisting in the advertising, marketing,  
26 promoting, offering for sale, or selling of any business venture;

27 C. Holding any ownership interest, share, or stock in any business entity  
28 which engages in or assists in the advertising, marketing, promoting, offering for  
sale, or selling of any business venture; and

1 D. Serving as an employee, officer, director, trustee, general manager, or  
2 consultant, or advisor in a position with duties or responsibilities that require  
3 engaging or assisting in the advertising, marketing, promoting, offering for sale, or  
4 selling of any business venture.

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

7 **IT IS FURTHER ORDERED** that, in connection with the offering for sale  
8 or sale of any good or service, Defendant, and her officers, agents, servants,  
9 employees, attorneys, and those persons in active concert or participation with her  
10 who receive actual notice of this Order by personal service or otherwise, are  
11 hereby permanently restrained and enjoined from:

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

- 15 1. The total cost to purchase, receive, or use, and the quantity of,  
16 any goods or services that are subject to the sales offer;
- 17 2. Any material restrictions, limitations, or conditions to purchase,  
18 receive, or use the goods or services;
- 19 3. Any material aspect of the nature or terms of a refund,  
20 cancellation, exchange or repurchase policy for the goods or services; or
- 21 4. The income, profits, or sales volume likely to be achieved from  
22 the goods or services.

23 B. Providing substantial assistance to any third party to make any  
24 material misrepresentation, including, but not limited to, those misrepresentations  
25 prohibited by Paragraph II (A), above.  
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1 financial condition, then the Court shall lift any suspension of the judgment and  
2 direct the Clerk to enter judgment against Defendant and in favor of the  
3 Commission for the full amount of \$12,075,572 immediately due and payable,  
4 together with interest computed at the rate prescribed under 28 U.S.C. § 1961, as  
5 amended, less the sum of any payments previously made pursuant to this Final  
6 Order.

7 C. Any proceedings instituted under this Section IV are in addition to,  
8 and not in lieu of, any other civil or criminal remedies as may be provided by law,  
9 including any other proceedings that the FTC may initiate to enforce this Final  
10 Order.

11 D. Any and all funds paid pursuant to this Order, including this Section  
12 IV, shall be deposited into a fund administered by the Commission or its agent to  
13 be used for equitable relief, including, but not limited to, consumer redress and  
14 any attendant expenses for the administration of any redress fund. In the event

15 that redress to purchasers is wholly or partially impracticable, or any funds remain  
16 after redress is completed, the Commission may apply any remaining funds to such  
17 other equitable relief (including consumer information remedies) as it determines  
18 to be reasonably related to Defendant's practices alleged in the Amended  
19 Complaint. Any funds not used for such equitable relief shall be deposited in the  
20 United States Treasury as disgorgement. Defendant shall have no right to contest  
21 the manner of distribution chosen by the Commission. The Commission in its sole  
22 discretion may use a designated agent to administer consumer redress.

#### 23 V. ACKNOWLEDGMENT OF RECEIPT OF ORDER

24 **IT IS FURTHER ORDERED** that, within ten (10) business days of receipt  
25 of this Final Order as entered by the Court, Defendant must submit to the  
26 Commission a truthful sworn statement acknowledging receipt of this Final Order.

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

2 **IT IS FURTHER ORDERED** that, for a period of three (3) years from the  
3 date of entry of this Final Order, Defendant shall deliver copies of this Final Order  
4 as directed below:

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

14 **B. Defendant as Employee or Non-Control Person:** For any business  
15 where Defendant is not a controlling person of the business, but for which she  
16 otherwise engages in the offer or sale of income-producing or investment-related  
17 goods or services, Defendant must deliver a copy of this Final Order to all  
18 principals and managers of such business before engaging in such conduct; and

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

22 **VII. COMPLIANCE REPORTING BY DEFENDANT**

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

25 **A.** For a period of three (3) years from the date of entry of this Final  
26 Order, Defendant shall notify the Commission in writing of the following:

27 1. Any changes in Defendant's residences, mailing addresses and  
28 telephone numbers, within thirty (30) days of the date of such change;

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1 2. Any changes in Defendant's employment status (including self-  
2 employment), within thirty (30) days of such change. Such notice shall include  
3 the name and address of each business that Defendant is affiliated with, employed  
4 by, or performs services for; a statement of the nature of the business; and a  
5 statement of Defendant's duties and responsibilities in connection with the  
6 business;

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

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

21 B. One hundred and eighty (180) days after the date of entry of this Final  
22 Order, and each year thereafter on the same date, through and including calendar  
23 year 2010, Defendant shall provide a written report to the FTC, sworn to under  
24 penalty of perjury, setting forth in detail the manner and form in which she has  
25 complied and is complying with this Final Order. This report shall include, but  
26 not be limited to:

27 1. The then-current residence addresses, mailing addresses, and  
28 telephone numbers of Defendant;

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1           2.    The then-current employment and business addresses and  
2 telephone numbers of Defendant, a description of the business activities of each  
3 such employer or business, and the title and responsibilities of the Defendant for  
4 each such employer or business;

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

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

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

12                   Associate Director  
13                   Division of Enforcement  
14                   Federal Trade Commission  
15                   601 New Jersey Ave., NW, Room 2119  
16                   Washington, DC 20001  
17                   Re: FTC v. World Traders Association, et al.,  
18                   Case No. CV 05-0591;

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

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

25                   **VIII. RECORD-KEEPING PROVISIONS**

26           **IT IS FURTHER ORDERED** that, for a period of six (6) years from the  
27 date of entry of this Final Order, in connection with any business that Defendant  
28 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:

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

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

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

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

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

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

20 **IX. COMPLIANCE MONITORING**

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

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

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1 B. In addition, the Commission is authorized to monitor compliance with  
2 this Final Order by all other lawful means, including but not limited to the  
3 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, 33, 34, 36, and  
6 45; and

7 2. Posing as consumers or suppliers to: Defendant, her  
8 employees, or any entity managed or controlled in whole or in part by Defendant,  
9 without the necessity of identification or prior notice.

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

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

20 **X. PROHIBITIONS INVOLVING CONSUMER LISTS**

21 **IT IS FURTHER ORDERED** that Defendant, and her officers, agents,  
22 servants, employees, attorneys, and those persons in active concert or participation  
23 with her who receive actual notice of this Order by personal service or otherwise,  
24 are hereby permanently restrained and enjoined from selling, renting, leasing,  
25 transferring, or otherwise disclosing the name, address, telephone number, credit  
26 card number, bank account number, e-mail address, or other identifying  
27 information of any person who paid any money to Defendant, at any time prior to  
28 entry of this Final Order, in connection with the advertising, promotion,

1 marketing, offering for sale, or sale of any good or service; *provided, however,*  
2 that Defendant may disclose such identifying information to a law enforcement  
3 agency, or as required by any law, regulation or court order.

4 **XI. COOPERATION WITH RECEIVER**

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

11 **XII. FEES AND COSTS**

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

15 **XIII. RETENTION OF JURISDICTION**

16 **IT IS FURTHER ORDERED** that this Court shall retain jurisdiction of  
17 this matter for purposes of construction, modification and enforcement of this  
18 Final Order.

19 **XIV. ENTRY OF ORDER**

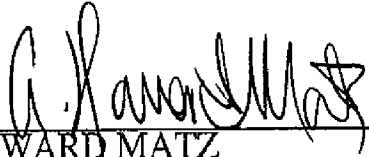
20 **IT IS FURTHER ORDERED** that there is no just reason for delay, and the  
21 Clerk of Court is hereby directed to enter this Order immediately.

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1 **XV. COMPLETE SETTLEMENT**

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

6  
7 SO ORDERED, this 14<sup>th</sup> day of February, 2007.

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10   
11 A. HOWARD MATZ  
United States District Judge

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1 STIPULATED BY:

2 FOR THE PLAINTIFF

FOR THE DEFENDANT

3 William Blumenthal  
4 General Counsel

5 David R. Spiegel Date: 2/11/07  
6 David R. Spiegel (N.Y. Bar #1592724)  
7 Attorney for Plaintiff  
8 Federal Trade Commission  
9 600 Pennsylvania Avenue, NW  
Washington, DC 20580  
Telephone (202) 326-3281  
Facsimile (202) 326-3395

Jennifer Klotthor Date: 11/30/04  
Jennifer Klotthor  
6533 Day Street  
Tujunga, CA 91042

10 Kenneth Abbe (CA Bar #172416)  
11 Federal Trade Commission  
12 Western Region  
13 10877 Wilshire Blvd., Ste. 700  
14 Los Angeles, CA 90024  
15 Telephone (310) 824-4318  
16 Facsimile (310) 824-4380  
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