

**UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF FLORIDA**

**Case No. 02-80540-CIV-HURLEY  
Magistrate Judge LYNCH**

**FEDERAL TRADE COMMISSION,**

Plaintiff

v.

**AMERICA'S SHOPPING  
NETWORK, INC.,**  
a corporation,

**CONSUMER SERVICES, INC.,**  
a corporation,

**KAREN A. ZAGAMI,**  
individually and as an officer of the corporations,

**CARIANNE SICA,** also known as  
**CARRIE SICONE,** individually and as an  
officer of the corporations,

**LOUIS S. GANGI,** individually and as a  
principal of the corporations,

**HME INC.,**  
a corporation, and

**JOHN M. EPSTEIN,** individually and as an  
officer of the corporation,

Defendants

**(Proposed) STIPULATED JUDGMENT AND ORDER FOR  
PERMANENT INJUNCTION AS TO DEFENDANTS**

**AMERICA'S SHOPPING NETWORK, INC., CONSUMER SERVICES, INC.,  
KAREN A. ZAGAMI, CARIANNE SICA, AND LOUIS S. GANGI**

The Plaintiff, the Federal Trade Commission ("FTC" or "Commission"), commenced this action, on June 11, 2002, by filing a Complaint for Injunctive and Other Equitable Relief, including redress to consumer victims, pursuant to Sections 5(a) and 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 45(a) and 53(b), charging that the Defendants engaged in deceptive acts or practices in violation of Section 5 of the FTC Act, 15 U.S.C. § 45, in connection with the sale of work-at-home employment opportunities. The Commission and Defendants America's Shopping Network, Inc. ("ASN"), Consumer Services, Inc. ("CS"), Karen A. Zagami ("Zagami"), Carianne Sica ("Sica"), and Louis S. Gangi ("Gangi"), hereby stipulate to the entry of this Stipulated Judgment and Order for Permanent Injunction ("Order") to resolve all matters of dispute between them in this action.

THEREFORE, it is hereby ORDERED, ADJUDGED AND DECREED as follows:

**FINDINGS**

1. This Court has jurisdiction over the subject matter and the parties pursuant to 28 U.S.C. §§ 1331 and 1337(a), and 15 U.S.C. §§ 53(b).
2. Venue is proper as to all parties in the Southern District of Florida
3. The activities of the Defendants are in or affecting commerce, as defined in Section 4 of the FTC Act, 15 U.S.C. § 44.
4. The Complaint states a claim upon which relief may be granted against the Defendants, under Sections 5(a)(1) and 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 45(a) and 53(b).

5. Defendants ASN, CS, Zagami, Sica, and Gangi have entered into this Order freely and without coercion. These Defendants further acknowledge that they have read the provisions of this Order and are prepared to abide by them.
6. Defendants ASN, CS, Zagami, Sica, and Gangi do not admit any of the allegations set forth in the Complaint other than jurisdictional facts, and Plaintiff and Defendants have agreed that the entry of this Order resolves all matters of dispute between the Commission and these Defendants arising from the Complaint in this action, up to the date of entry of this Order.
7. Defendants ASN, CS, Zagami, Sica, and Gangi waive all rights to seek appellate review or otherwise challenge or contest the validity of this Order. These Defendants further waive and release any claims they may have against the Commission, its employees, representatives or agents and the Former Temporary Receiver.
8. Defendants ASN, CS, Zagami, Sica, and Gangi have agreed that this Order does not entitle them to seek or to obtain attorneys' fees as a prevailing party under the Equal Access to Justice Act, 28 U.S.C. § 2412, as amended by Pub. L. 104-121, 110 Stat. 847, 863-64 (1996), and these Defendants further waive any rights to attorneys' fees that may arise under said provision of law.
9. This Order is in addition to and not in lieu of any other civil or criminal remedies that may be provided by law.
10. Entry of this Order is in the public interest.

### **DEFINITIONS**

For the purpose of this Order, the following definitions shall apply:

1. "Asset" means any legal or equitable interest in, or right or claim to, any real and personal property, including without limitation, chattels, goods, instruments, equipment, fixtures, general intangibles, leaseholds, mail or other deliveries, inventory, checks, notes, accounts, credits, contracts, receivables, shares of stock, and all cash, wherever located.
2. "Business Venture" means any written or oral business arrangement, however denominated, whether or not covered by the Franchise Rule, which consists of the payment of any consideration for:
  - a. The right or means to offer, sell, or distribute goods or services (whether or not identified by a trademark, service mark, trade name, advertising, or other commercial symbol); and
  - b. The promise or provision of assistance to any person in connection with: (1) the establishment, maintenance, or operation of a new business; or (2) the entry by an existing business into a new line or type of business, including, but not limited to, referrals to one or more persons providing location services.
3. "Defendants" means America's Shopping Network, Inc. ("ASN"), Consumer Services, Inc. ("CS"), Karen A. Zagami ("Zagami"), Carianne Sica, also known as Carrie Sicone ("Sica"), and Louis S. Gangi ("Gangi"), their officers, directors, agents, servants, employees, attorneys, affiliates, parents or subsidiaries, successors or assigns, including but not limited to KSZ Acquisition and Holding Corporation, TFJC, Inc., JS Service Center, Inc., and America's Internet Marketing Network, Inc., and all persons or entities directly or indirectly under their control or under common control with them.

4. "Chain Marketing Scheme" means a scheme in which the compensation structure is based primarily on payments to participants for the recruitment of new participants, not on payments to participants for employment services rendered directly for defendants.
5. "Work-at-home employment opportunity" means any program, plan, product or service that enables or offers to enable a participant or purchaser to earn money by working at home.
6. "Person" means a natural person, organization or other legal entity, including a corporation, partnership, proprietorship, association, or cooperative, or any other group or combination acting as an entity.

## **ORDER**

### **I. PROHIBITED PRACTICES**

IT IS FURTHER ORDERED that, in connection with the advertising, telemarketing, offering for sale, licensing, contracting, sale or other promotion, in or affecting commerce, of Defendants' work-at-home employment opportunities, or any other work-at-home employment opportunity, business venture, or other product or service, Defendants, and all persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise, are hereby permanently restrained and enjoined from making any express or implied representation or omission of material fact that is false or misleading, in any manner, orally or in writing, to any consumer, in connection with the promotion, advertising, marketing, offering for sale or sale of any business venture or any work-at-home employment opportunity, or any other good or service, including but not limited to:

- A. Falsely representing the earnings, income, profits, or sales volume likely to be achieved in connection with the purchase of or investment in any business venture or work-at-home

employment opportunity;

B. Falsely representing the types of employment opportunities promised purchasers or investors in any business venture or work-at-home employment opportunity;

C. Falsely representing the refund policy for any purchaser of or investor in any business venture or work-at-home employment opportunity; and

D. Falsely representing any other fact material to a consumer's decision to purchase or invest in any business venture or work-at-home employment opportunity, or other goods or services that are the subject of a sales offer.

## **II. PERMANENT BAN**

IT IS FURTHER ORDERED that Defendants, whether directly or indirectly, or through any corporation, business entity or person, are hereby permanently restrained and enjoined from engaging or participating in the advertising, marketing, telemarketing, offering for sale, licensing, contracting, sale or other promotion of any work-at-home employment opportunity that is a chain marketing scheme.

## **III. MONETARY RELIEF**

IT IS FURTHER ORDERED that:

A. Defendants ASN, CS, Zagami, and Gangi, jointly and severally, shall pay to the Plaintiff as equitable monetary relief, costs, and attorneys fees, including but not limited to consumer redress and disgorgement and expenses of administering any redress fund, the amount of Thirty Thousand Dollars (\$30,000.00). Such payment shall be as follows:

1. by certified check or cashier's check in the amount of Ten Thousand Dollars (\$10,000.00) delivered to the Director, Northeast Region, Federal Trade

Commission, 1 Bowling Green, Suite 318, New York, NY 10004, or to a bank account identified by counsel for Plaintiff, immediately; and

2. by certified check or cashier's check in the amount of Twenty Thousand Dollars (\$20,000.00) delivered to the Director, Northeast Region, Federal Trade Commission, 1 Bowling Green, Suite 318, New York, NY 10004, or to a bank account identified by counsel for Plaintiff, within fourteen (14) days after entry of this Order.

Decisions by the parties as to the funds and assets the Defendants are to pay were based on sworn financial disclosure statements provided by the Defendants, and the terms of this **Section III** are subject to **Section IV**, below.

B. Defendants ASN, CS, Zagami, and Gangi acknowledge and agree that all money paid pursuant to this Order is irrevocably paid for purposes of settlement between the Plaintiff and Defendants of the claims in this action.

C. In accordance with 31 U.S.C. § 7701, Defendants ASN, CS, Zagami, and Gangi are hereby required, unless they have done so already, to furnish to the FTC their respective taxpayer identifying numbers (social security numbers or employer identification numbers) which shall be used for purposes of collecting and reporting on any delinquent amount arising out of the Defendants' judgment herein.

D. Defendants are required, unless they have done so already, to provide the FTC with clear, legible and full-size photocopies of all valid driver's licenses they possess, which will be used for collection, reporting and compliance purposes.

- E. Defendants authorize Plaintiff to verify all information provided on Defendants' corporate and individual financial statements with all appropriate third parties, including, but not limited to, financial institutions and credit reporting bureaus.

#### **IV. RIGHT TO REOPEN WITH SUM CERTAIN**

IT IS FURTHER ORDERED that:

- A. Plaintiff's agreement to, and the Court's approval of, this Order is expressly premised upon the truthfulness, accuracy, and completeness of the individual and corporate financial statements that were provided in June 2002, and tax returns and other financial documents that were subsequently provided, by Defendants to Plaintiff. Each Defendant's financial statement and related documents described above contain material information upon which Plaintiff relied in negotiating and agreeing to this Final Order. If Plaintiff should obtain evidence that the above-referenced financial statements and related documents failed to disclose any material asset, materially misrepresented the value of any asset, or made any other material misrepresentation or omission, Plaintiff may move that the Court reopen this Order for the sole purpose of allowing Plaintiff to modify the monetary liability of the Defendants.
- B. If the Court finds that Defendants, individually or in combination with each other, failed to disclose any material asset or misrepresented any material asset in the financial statements and related documents described above, and the value of the asset misrepresented or omitted is in excess of One Thousand Dollars (\$1000.00), the Court shall enter judgment against such Defendants, jointly and severally, and in favor of Plaintiff, in the amount of Eighteen Million Dollars (\$18,000,000.00), which shall become immediately due and payable, less any amounts



previously paid. Should this judgment be modified as to the monetary liability of the Defendants, this Order, in all other respects, shall remain in full force.

- C. Proceedings instituted under this Section are in addition to, and not in lieu of, any and all other proceedings and remedies as may be provided by law, including any other proceedings Plaintiff may initiate to enforce this Final Order. Solely for the purposes of reopening under this Section, Defendants waive any right to contest any of the allegations set forth in the complaint filed in this matter.

#### **V. USE OF CONSUMER REDRESS AND DISGORGEMENT FUNDS**

IT IS FURTHER ORDERED that:

- A. The Plaintiff shall deposit all funds received from Defendants pursuant to this Order in an interest-bearing account administered by the Plaintiff or its agent.
- B. All funds paid pursuant to this Order shall be used for equitable relief, 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, Plaintiff may apply any remaining funds to such other equitable relief (including consumer education remedies) as they determine to be reasonably related to Defendants' practices alleged in the complaint. Any funds not used for such equitable relief shall be deposited as disgorgement to the United States Treasury. Defendants shall have no right to challenge the Plaintiff's choice of remedies under this Order.

#### **VI. TRANSFER OF CUSTOMER LISTS**

IT IS FURTHER ORDERED that Defendants are hereby permanently restrained and enjoined

from selling, renting, leasing, transferring or otherwise disclosing to anyone the name, address, telephone number, credit card number, bank account number, e-mail address, or other identifying information of any person who paid, who was solicited to pay, or whose identifying information was obtained for the purpose of soliciting them to pay, any money to any Defendant in this action at any time prior to entry of this Order, in connection with the advertising, promotion, telemarketing, offering for sale, or sale of any product, program, or service referenced in the complaint; provided, however, that Defendants may disclose such identifying information to a law enforcement agency, or as required by any law, regulation or court order.

#### **VII. ACKNOWLEDGMENT OF RECEIPT OF ORDER BY DEFENDANTS**

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

#### **VIII. RECORD KEEPING PROVISIONS**

IT IS FURTHER ORDERED that, for a period of eight (8) years from the date of entry of this Order, Defendants Zagami, Sica, and Gangi, in connection with any and every business entity of which any of them is a majority owner, or which any of them otherwise manages or controls, and where the business is engaged in the sale or marketing of any consumer good or service, and those persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise, are hereby 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, and
- E. Copies of all sales scripts, training materials, advertisements, or other marketing materials utilized.

#### **IX. COMPLIANCE REPORTING BY DEFENDANTS**

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

- A. For a period of five (5) years from the date of entry of this Order:
  - 1. Defendants Zagami, Sica and Gangi shall notify the Commission of the following:
    - a. Any change in the Defendant's residence, mailing addresses, and telephone number, within ten (10) days of the date of such change;
    - b. Any changes in the Defendant's employment status (including self-employment) within ten (10) days of the date of such change. Such notice shall include the name and address of each business that the

Defendant is affiliated with, employed by, or performs services for; a statement of the nature of the business; and a statement of the Defendant's duties and responsibilities in connection with the business;

c. Any changes in the Defendant's name or use of any aliases or fictitious names; and

2. Defendants Zagami, Sica and Gangi shall notify the Commission of any changes in corporate or business structure that may affect compliance obligations arising under this 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 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 such change proposed about which the Defendant learns less than thirty (30) days prior to the date such action is to take place, the 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 Order, Defendants shall provide a written report to the Commission, sworn to under penalty of perjury, setting forth in detail the manner and form in which they have complied and are complying with this Order. The report shall include, but not be limited to:

1. Any changes required to be reported pursuant to subparagraph A. above; and

2. A copy of each acknowledgment of receipt of this Order obtained by Defendants pursuant to **Section XI** of this Order.

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

Northeast Regional Director  
Federal Trade Commission  
One Bowling Green, Suite 318  
New York, NY 10004  
Re: FTC v. America's Shopping Network, et al.  
Civil Action No. 02-80540-CIV-HURLEY/LYNCH

D. For the purposes of compliance reporting of this Section, Plaintiff is authorized to communicate directly with individual Defendants Zagami, Sica, and Gangi.

#### **X. COMPLIANCE MONITORING**

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

- A. Within ten (10) days of receipt of written notice from a representative of the Commission, Defendants each shall submit additional compliance reports, sworn to under penalty of perjury; produce documents for inspection and copying; appear for deposition; and/or provide entry during normal business hours to any business location in such defendant's possession or direct or indirect control to inspect the business operation;
- B. In addition, the Commission is authorized to monitor compliance with this Order by all other lawful means, including but not limited to the following:

1. obtaining discovery from any person, without further leave of court, using the procedures prescribed by Fed. R. Civ. P. 30, 31, 33, 34, 36, and 45;
2. posing as consumers of and suppliers to Defendants, their employees, or any other entity managed or controlled in whole or in part by Defendants, without the necessity of identification or prior notice;
3. Provided, that nothing in this Order shall limit the Commission's lawful use of compulsory process, pursuant to Sections 9 and 20 of the FTC Act, 15 U.S.C. §§ 49, 57b-1, to obtain any documentary material, tangible things, testimony, or information relevant to unfair or deceptive acts or practices in or affecting commerce, (within the meaning of 15 U.S.C. Section 45(a)(1)).

## **XI. ORDER DISTRIBUTION**

IT IS FURTHER ORDERED that, for a period of five (5) years from the date of entry of this Order:

- A. Defendants ASN and CS shall deliver a copy of this Order to all principals, officers, directors, managers, employees, agents, and representatives having responsibilities with respect to the subject matter of this Order, and shall secure from each such person a signed and dated statement acknowledging receipt of the Order. Defendants ASN and CS shall deliver this Order to current personnel within thirty (30) days after the date of service of this Order, and to new personnel within thirty (30) days after the person assumes such position or responsibilities.
- B. Defendants Zagami, Sica and Gangi shall deliver a copy of this Order to the principals, officers, directors, managers and employees under their control for any business that (a) employs or

contracts for personal services from them and (b) has responsibilities with respect to the subject matter of this Order. Defendants Zagami, Sica and Gangi shall secure from each such person a signed and dated statement acknowledging receipt of the Order within thirty (30) days after the date of service of the Order, or the commencement of the employment relationship.

## **XII. INDEPENDENCE OF OBLIGATIONS**

IT IS FURTHER ORDERED that the expiration of any requirements imposed by this Stipulated Final Order shall not affect any other obligation arising under this Order.

## **XIII. COSTS AND ATTORNEYS FEES**

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

## **XIV. RETENTION OF JURISDICTION**

**IT IS FURTHER ORDERED** that this Court shall retain jurisdiction of this matter for all purposes.

STIPULATED AND AGREED TO:

FOR THE FEDERAL TRADE COMMISSION:

WILLIAM E. KOVACIC  
General Counsel

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BARBARA ANTHONY  
Director, Northeast Region

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THOMAS A. COHN  
CAROLE A. PAYNTER  
Attorneys for Plaintiff  
Federal Trade Commission, Northeast Region

1 Bowling Green, Suite 318  
New York, NY 10004  
(212) 607-2829  
(212) 607-2822 (facsimile)

FOR THE DEFENDANTS:

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Karen A. Zagami,  
individually and as officer of America's  
Shopping Network, Inc. and Consumer  
Services, Inc.

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Kenneth L. Minerley, Esq.  
Attorney for Defendants America's  
Shopping Network, Inc., Consumer  
Services, Inc., Karen A. Zagami,  
Carianne Sica, aka Carrie Sicone,  
and Louis S. Gangi

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Carianne Sica, aka Carrie Sicone,  
individually and as an officer of America's  
Shopping Network, Inc. and Consumer  
Services, Inc.

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Louis S. Gangi,  
individually and as sole  
proprietor of Consumer Services, Inc.,  
and as a principal of America's  
Shopping Network, Inc.

**SO ORDERED**, this \_\_\_\_\_ day of \_\_\_\_\_, 2003

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DANIEL T. K. HURLEY  
United States District Judge



**UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF FLORIDA**

**Case No. 02-80540-CIV-HURLEY  
Magistrate Judge LYNCH**

**FEDERAL TRADE COMMISSION,**

Plaintiff

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**AMERICA'S SHOPPING  
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**LOUIS S. GANGI,** individually and as a  
principal of the corporations,

**HME INC.,**  
a corporation, and

**JOHN M. EPSTEIN,** individually and as an  
officer of the corporation,

Defendants

**AFFIDAVIT OF RECEIPT OF ORDER**

Karen A. Zagami/Carianne Sica/Louis S. Gangi, being duly sworn, hereby states and affirms as follows:

1. My name is Karen A. Zagami/Carianne Sica/Louis S. Gangi. My current residence address is \_\_\_\_\_ . I am a citizen of the United States and am over the age of eighteen. I have personal knowledge of the facts set forth in this Affidavit.
2. I am a Defendant in the above captioned case, individually and as an officer/principal of Defendants America's Shopping Network, Inc. and Consumer Services, Inc.
3. On \_\_\_\_\_, I received, on behalf of myself and Defendants America's Shopping Network, Inc. and Consumer Services, Inc., a copy of the Stipulated Judgment and Order for Permanent Injunction, which was entered by the Court on \_\_\_\_\_, 2002. A true and correct copy of the Order I received is appended to this Affidavit.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

\_\_\_\_\_

Executed on \_\_\_\_\_, 2003, at \_\_\_\_\_ [city and state].

State of \_\_\_\_\_

County of \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2003.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_