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12 UNITED STATES DISTRICT COURT
13 FOR THE CENTRAL DISTRICT OF CALIFORNIA

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16 FEDERAL TRADE COMMISSION,
17 Plaintiff,

18 v.

19 THE MENTOR NETWORK, INC, a Nevada
20 Corporation, *et al.*,

21 Defendants.

Civ. No. SACV 96-1104 LHM
(EEx)

**STIPULATED FINAL
JUDGMENT AND ORDER**

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24 Plaintiff, Federal Trade Commission ("FTC"), has filed a Complaint for a permanent
25 injunction and other relief pursuant to Section 13(b) of the Federal Trade Commission Act ("FTC
26 Act"), 15 U.S.C. § 53(b), alleging that defendants The Mentor Network, Inc. ("Mentor"), and
27 Parviz Firouzgar ("Firouzgar") have violated Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

28 Plaintiff and defendants, by and through their respective counsel, have agreed to entry of
this Stipulated Final Judgment and Order ("Order") by this Court, without trial or adjudication of

1 any issue of fact or law. The said parties having requested the Court to enter this Order, it is
2 therefore ORDERED, ADJUDGED, AND DECREED as follows:

3 **FINDINGS**

4 1. This Court has jurisdiction over defendants and the subject matter of this action.
5 Venue in the Central District of California is proper.

6 2. The Complaint states a claim upon which relief may be granted under Sections 5(a)
7 and 13(b) of the FTC Act, 15 U.S.C. §§ 45(a) and 53(b).

8 3. The Commission has the authority under Section 13(b) of the FTC Act, 15 U.S.C.
9 § 53(b), to seek the relief it has requested.

10 4. The activities of defendants are in or affecting commerce, as “commerce” is
11 defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

12 5. Defendants, while neither admitting nor denying any of the allegations of
13 wrongdoing set forth in the Complaint, stipulate and agree to entry of this Order.

14 6. Plaintiff and defendants waive all rights to seek judicial review or otherwise
15 challenge or contest the validity of this Order, and defendants waive any right that may arise
16 under the Equal Access to Justice Act, 28 U.S.C. § 2412.

17 7. Entry of this Order is in the public interest.

18 **DEFINITIONS**

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

20 A. "Multi-level marketing program" means any marketing program in which
21 participants pay money to the program promoter in return for which program participants obtain
22 the right to (1) recruit additional participants, or to have additional participants placed by the
23 promoter or any other person into the program participant's downline, tree, cooperative, income
24 center, or other similar program grouping; (2) sell goods or services; and (3) receive payment or
25 other compensation; provided that: (1) the payments received by each program participant are
26 derived primarily from the sale of goods or services, and not from recruiting additional
27 participants nor having additional participants placed into the program participant's downline,
28 tree, cooperative, income center, or other similar program grouping; and (2) the marketing

1 program has instituted and enforces rules to ensure it is not a plan where participants earn profits
2 primarily by recruiting additional participants rather than by the sale of goods or services to
3 persons not eligible to recruit participants into the marketing program. For purposes of this
4 Order, the phrase “goods or services” includes, but is not limited to, child sponsorships or audio
5 and video tapes from a lending library, but does not include a membership or opportunity to
6 participate in a sales or marketing program.

7 B. “Chain or pyramid marketing program” is a sales device whereby a person, under a
8 condition that he or she make a payment, directly or indirectly, is granted a license or right to
9 recruit for consideration one or more additional persons who are also granted a license or right
10 upon condition of making a payment, directly or indirectly, and may further perpetuate the chain
11 or pyramid of persons who are granted a license or right upon such condition. A limitation as to
12 the number of persons who may participate, or the presence of additional conditions affecting
13 eligibility for the above license or right to recruit or the receipt of profits therefrom, does not
14 change the identity of the program as a chain or pyramid marketing program.

15 C. "Person" means a natural person, organization or other legal entity, including a
16 corporation, partnership, proprietorship, association, cooperative, government or governmental
17 subdivision or agency, or any other group or combination acting as an entity.

18 D. “Assisting” means providing the means and instrumentalities for, or otherwise
19 facilitating, any conduct that a defendant knows or should know violates any provision of
20 Section I or II of this Order. "Assisting" includes, but is not limited to, formulating or providing
21 or arranging for the formulation or provision of written or electronic promotional materials that
22 violate any provision of Section I or II of this Order.

23 **ORDER**

24 **I.**

25 IT IS THEREFORE ORDERED that defendants, and each of them, their successors,
26 assigns, officers, agents, servants, employees, and all other persons or entities in active concert or
27 participation with them who receive actual notice of this Order by personal service or otherwise,
28 whether acting directly or through any business, entity, corporation, subsidiary, division, or other

1 device, in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15
2 U.S.C. § 44, are permanently restrained and enjoined from engaging, participating, or assisting in
3 any manner or capacity whatsoever, directly or through an intermediary, in the advertising,
4 promoting, offering for sale, or sale of any chain or pyramid marketing program, except that
5 defendants are not enjoined from engaging, participating, or assisting in multi-level marketing
6 programs.

7 **II.**

8 IT IS FURTHER ORDERED that defendants, and each of them, their successors, assigns,
9 officers, agents, servants, employees, and all other persons or entities in active concert or
10 participation with them who receive actual notice of this Order by personal service or otherwise,
11 whether acting directly or through any business, entity, corporation, subsidiary, division, or other
12 device, in connection with the advertising, promoting, offering for sale, or sale of any marketing
13 or investment program, in or affecting commerce, as “commerce” is defined in the FTC Act, are
14 permanently restrained and enjoined from making, or assisting another in making, directly or by
15 implication, orally, electronically, or in writing, any misrepresentation about any material fact,
16 including, but not limited to, misrepresentations about earnings that any person has actually made
17 or can potentially make or misrepresentations regarding government approval.

18 **III.**

19 IT IS FURTHER ORDERED that defendants, their successors and assigns, jointly and
20 severally, shall pay redress to consumers in the amount of \$75,000. Defendants shall transfer the
21 sum of \$75,000 from assets currently held by the receiver or otherwise into an interest-bearing
22 escrow account designated by plaintiff, on or before five (5) days from the date of entry of this
23 Order. The total payment of this sum shall fully satisfy all monetary claims asserted by the FTC in
24 the Complaint filed herein against defendants, except as provided in Section IV of this Order, and
25 shall be used to provide redress to consumers who made payments to defendants, and to pay any
26 attendant expenses of distribution to consumers identified by the receiver pursuant to guidelines
27 established by the FTC. The FTC shall determine which consumers are eligible for redress as well
28 as the amounts to be paid.

1 the asset, or the fair market value (or difference in fair market value) thereof, calculated as of the
2 date of entry of this Order, shall constitute an appropriate amount of redress; and (2) if the
3 Financial Statements failed to report the transfer of any asset to another person, the fair market
4 value of the asset shall constitute an appropriate amount of redress. If defendants cannot pay the
5 fair market value of the asset, and such transfer was not to a *bona fide* purchaser for value, this
6 Court shall impose a constructive trust for the benefit of injured consumers over the asset, and the
7 asset shall be conveyed by the transferee to the FTC; provided, however, that in all other respects,
8 this Order shall remain in full force and effect unless otherwise ordered by this Court; provided
9 further that, for purposes of this Section, and any subsequent proceedings to enforce payment,
10 including but not limited to a nondischargeability complaint filed in a bankruptcy proceeding, each
11 defendant waives any right to contest any of the allegations of the Commission's complaint; and
12 provided further that proceedings instituted under this Section are in addition to, and not in lieu
13 of, any other civil or criminal remedies as may be provided by law, including any other
14 proceedings the FTC may initiate to enforce this Order. No portion of any forfeiture shall be
15 deemed a payment of any fine, penalty or punitive assessment.

16 **V.**

17 IT IS FURTHER ORDERED that the freeze of defendants' assets ordered in Section II of
18 the Preliminary Injunction entered in this matter on December 11, 1996, to the extent not
19 previously released by any separate Order of this Court, shall be lifted upon: (I) entry of this
20 Order; and (ii) defendants' payment to the FTC of the amount and in the manner set forth in
21 Section III of this Order.

22 **VI.**

23 IT IS FURTHER ORDERED that defendants, and their successors and assigns, shall, for
24 a period of five (5) years from the date of entry of this Order:

25 A. Maintain all records and documents necessary to demonstrate their compliance
26 with the requirements of this Order, including but not limited to sample copies of the following:
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1 1. Each contract, agreement, and statement of policies and/or
2 procedures used in connection with members or participants in any marketing
3 program.

4 2. Each printed advertisement and promotional item relating to a marketing
5 program.

6 3. Each advertising or other promotional or commercial item posted in
7 any Internet news group, on the World Wide Web, on any electronic bulletin board
8 system, in any online interactive conversational space or chat room, in the
9 classified advertising section of any online service, or in any other location
10 accessible by modem communications. Each copy shall be accompanied by an
11 indication of the online location where the material was posted.

12 4. Each advertising and promotional item made available through any
13 “fax on demand” or fax-back service.

14 5. Electronic copies, in HTML format, of all advertising and
15 promotional material made available on the World Wide Web, together with copies
16 of all graphics files, audio scripts, and other computer files used in presenting
17 information on the World Wide Web. The records shall include the Internet
18 address (URL) of the site, as well as any other information needed to gain access
19 to the site.

20 6. Each audio and video tape used to advertise or promote a
21 marketing program, and the printed transcript for each such audio and video tape.

22 7. Each complaint or refund request received in connection with a
23 marketing program and the response thereto.

24 B. Permit duly authorized representatives of the FTC:

25 1. Access during normal business hours, upon reasonable notice and
26 so as not to disrupt the ordinary business of the defendant, to any office or facility
27 owned, managed, or controlled by a defendant, or the successor or assign of a
28

1 defendant, to inspect and copy any document that relates to compliance with this
2 Order; and

3 2. To interview directors, officers, and employees (including
4 consultants, independent contractors, and the like) of any business entity that is
5 owned, managed, or controlled, in whole or in part, by any defendant, regarding
6 any matter contained in this Order, upon reasonable notice and so as not to disrupt
7 the ordinary business of the defendant.

8 Without limiting other lawful remedies available to it, the FTC shall make a written request and
9 provide reasonable notice prior to obtaining such access or interviews, and the inspection or
10 interview shall occur without restraint or interference from defendants.

11 **VII.**

12 IT IS FURTHER ORDERED that defendants, their successors and assigns, shall, within
13 thirty (30) days from the date of entry of this Order, and for a period of five (5) years thereafter,
14 provide a copy of this Order to each principal, officer, director, employee, agent, representative,
15 or other person having advertising, marketing, distribution, sales, or managerial responsibilities
16 relating to either defendant's business, and to each person in active concert or participation with
17 them concerning the activities that are the subject of this Order, including but not limited to each
18 person eligible to recruit other participants into any marketing program, and obtain from each of
19 them a signed and dated statement acknowledging receipt of the Order. Defendants may, at their
20 option, instead deliver to participants who in the future become eligible to recruit other
21 participants a dated and signed notification letter in the form set forth in Attachment B to this
22 Order, provided that delivery occurs within three (3) days after the person assumes such position
23 and that defendants maintain for five (5) years from the date of entry of this Order records
24 showing the name and address of each such participant as well as the manner and date of delivery.

25 **VIII.**

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

1 A. Defendant Mentor, and its successors and assigns, shall notify the FTC in writing
2 at least thirty (30) days prior to any proposed change in the corporation, including but not limited
3 to dissolution, merger, assignment, or sale that will result in the emergence of a successor
4 corporation, the creation or dissolution of a subsidiary or franchise, the transfer of the business by
5 assignment to another entity, or any other change in the corporation that may affect compliance
6 obligations arising under this Order.

7 B. Defendant Firouzgar shall notify the FTC in writing of the discontinuance of his
8 present business or employment or of his affiliation with any new business or employment. Said
9 written notice shall be provided to the FTC within fourteen (14) days of each change of affiliation
10 or employment. Each such notice shall include the defendant's then-current business address and
11 telephone number, current home address, and a statement of the nature of the new business or
12 employment along with a description of his interest, duties and responsibilities in such business or
13 employment.

14 **IX.**

15 IT IS FURTHER ORDERED that defendants, and their successors and assigns, shall,
16 within sixty (60) days from the date of entry of this Order, file with the FTC a preliminary report,
17 in writing, and within one hundred eighty (180) days from the date of entry of this Order, file a
18 supplemental report, in writing, setting forth in detail in both reports the manner and form in
19 which they have complied with this Order.

20 **X.**

21 IT IS FURTHER ORDERED that all notices and reports required of defendants by this
22 Order shall be made in writing and sent by first class United States mail to Regional Director,
23 Federal Trade Commission, 915 Second Avenue, Suite 2896, Seattle, Washington 98174.

24 **XI.**

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

1 JUDGMENT IS THEREFORE ENTERED under the terms and conditions recited above,
2 each party to bear its own costs and attorney fees incurred in connection with this action.

3
4 SO ORDERED, this ___ day of _____, 1997.

5
6 _____
7 LINDA H. McLAUGHLIN
8 UNITED STATES DISTRICT JUDGE

9 The parties hereby stipulate and agree to the terms and conditions set forth above and
10 consent to entry of this Stipulated Final Judgment and Order.

11 DATE: _____

12 FEDERAL TRADE COMMISSION:

13
14 _____
15 Charles A. Harwood
16 Regional Director

17 _____
18 George J. Zweibel

19 _____
20 Mary T. Benfield
21 Attorneys for Plaintiff
22 Federal Trade Commission

23 DEFENDANTS:

24 THE MENTOR NETWORK, INC.

25 By: _____
26 Parviz Firouzgar, President

27 PARVIZ FIROUZGAR

28 _____
Parviz Firouzgar, Individually

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ATTACHMENT A

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Attorneys for Plaintiff

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

THE MENTOR NETWORK, INC, a Nevada
Corporation, et al.,

Defendants.

Civ. No. SACV 96-1104 LHM
(EEx)

DECLARATION OF PARVIZ
FIROUZGAR

1. My name is Parviz Firouzgar. I am over the age of eighteen. I reside in Newport Beach, California. I have personal knowledge of the matters discussed in this declaration, and if called as a witness, I could and would competently testify as to the matters stated herein.

2. I am a defendant in *FTC v. The Mentor Network, Inc., et al.*, Civil Number SACV 96-1104 LHM (EEx) (U.S. District Court, Central District of California).

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3. The information contained in the Financial Statements of Parviz Firouzgar and The Mentor Network, Inc., executed by me on November 14, 1996, and provided to the Federal Trade Commission, were true, accurate, and complete on the date they were executed.

I declare under penalty of perjury that the foregoing statement is true and correct.

Executed on this ____ day of _____, 1997.

Parviz Firouzgar

1 **ATTACHMENT B**

2 Dear Participant:

3 The Federal Trade Commission ("FTC") has conducted an investigation to determine
4 whether The Mentor Network, Inc. ("Mentor"), and its president and founder, Parviz Firouzgar
5 ("Firouzgar"), may have engaged in acts or practices that violate Section 5 of the Federal Trade
6 Commission Act, 15 U.S.C. § 45, as amended, including, but not limited to, making false earnings
7 representations. As a result of its investigation, the FTC filed a complaint in the U. S. District
8 Court for the Central District of California (Civ. No. SACV 96-1104 LHM (EEx)), on November
9 5, 1996.

10 As a result of discussions between the FTC and Mentor and Firouzgar, the parties have
11 agreed to a Stipulated Final Judgment and Order ("Order"), which was approved by the Court on
12 [date]. The Order is for settlement purposes only and does not constitute an admission of
13 violations of law by either Mentor or Firouzgar. Pursuant to the Order, Mentor and Firouzgar
14 have agreed not to operate any chain or pyramid marketing program, or to make
15 misrepresentations about earnings, government approval, or other matters in connection with
16 marketing or investment programs. These prohibitions also apply to participants eligible to recruit
17 other participants who receive actual notice of the Order.

18 In addition, the Order requires Mentor and Firouzgar, and their successors and assigns, for
19 a period of five years, to provide a copy of the Order to each of their current and future officers,
20 employees, agents, representatives, and other specified persons. The Order gives Mentor and
21 Firouzgar the option of instead delivering this notification letter to participants who become
22 eligible to recruit other participants into any marketing program during this five-year period.

23 If you have any questions or would like a copy of the Order, you can contact us at
24 [telephone number].

25 Very truly yours,

26
27 [defendant's name]
28