

1 STEPHEN CALKINS  
General Counsel

2 CHARLES A. HARWOOD  
3 Regional Director

4 GEORGE J. ZWEIBEL  
5 MARY T. BENFIELD  
Federal Trade Commission  
915 Second Avenue, Suite 2896  
6 Seattle, Washington 98174  
(206) 220-4485 (Zweibel)  
7 (206) 220-4472 (Benfield)

8 RUSSELL S. DEITCH  
Federal Trade Commission  
9 11000 Wilshire Boulevard, Suite 13209  
Los Angeles, California 90024  
10 (310) 235-4023

11 Attorneys for Plaintiff

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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23  
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

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1 A. If the Commission determines, in its sole discretion, that redress to consumers is  
2 wholly or partially impracticable, any funds not so used shall be deposited into the United States  
3 Treasury. Defendants shall be notified as to how funds are disbursed, but shall have no right to  
4 contest the manner of distribution chosen by the Commission.

5 B. Notwithstanding any other provision of this Order, defendants agree that if they  
6 fail to meet the payment obligations set forth in this Section, the defendants shall pay the costs  
7 and attorneys fees incurred by the FTC and its agents in any attempts to collect amounts due  
8 pursuant to this Order.

9 **IV.**

10 IT IS FURTHER ORDERED that, within three (3) business days after the date of entry of  
11 this Order, defendant Firouzgar shall submit to the FTC a sworn statement, in the form shown in  
12 Attachment A to this Order, that shall reaffirm and attest to the truthfulness, accuracy, and  
13 completeness of defendants' Financial Statements that were executed on November 14, 1996, and  
14 submitted to the FTC pursuant to this Court's Temporary Restraining Order. The FTC's  
15 agreement to this Order is expressly premised upon the truthfulness, accuracy, and completeness  
16 of defendants' financial condition as represented in the Financial Statement referenced above,  
17 which contain material information upon which the FTC relied in negotiating and agreeing to the  
18 terms of this Order, including the amount of monetary redress and the terms of the consumer  
19 redress payment stated in this Order, provided, however, this Section IV shall not apply to assets  
20 acquired by either defendant after the date of entry of this Order.

21 A. If, upon motion by the FTC, this Court finds that any defendant failed to file the  
22 sworn statement required by this Section, or filed a Financial Statement that failed to disclose any  
23 material asset, or materially misrepresented the value of any asset, or made any other material  
24 misrepresentation in or omission from the Financial Statement, the judgment herein shall be  
25 reopened for the purpose of determining an appropriate additional amount for defendants to pay  
26 as redress to consumers in accordance with Section III above.

27 B. For purposes of determining the amount of redress: (1) if the Financial Statements  
28 failed to disclose a material asset or materially misrepresented the value of an asset, forfeiture of

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

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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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James E. Burk  
Attorney for Defendants  
3426 North Washington Blvd., Suite 202  
Arlington, VA 22201  
(202) 966-5680

ATTACHMENT A

STEPHEN CALKINS  
General Counsel

CHARLES A. HARWOOD  
Regional Director

GEORGE J. ZWEIBEL  
MARY T. BENFIELD  
Federal Trade Commission  
915 Second Avenue, Suite 2896  
Seattle, Washington 98174  
(206) 220-4485 (Zweibel)  
(206) 220-4472 (Benfield)

RUSSELL S. DEITCH  
Federal Trade Commission  
11000 Wilshire Boulevard, Suite 13209  
Los Angeles, California 90024  
(310) 235-4023

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).

1           3.       The information contained in the Financial Statements of Parviz Firouzgar and The  
2 Mentor Network, Inc., executed by me on November 14, 1996, and provided to the Federal  
3 Trade Commission, were true, accurate, and complete on the date they were executed.  
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5           I declare under penalty of perjury that the foregoing statement is true and correct.  
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7 Executed on this \_\_\_\_ day of \_\_\_\_\_, 1997.  
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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