

- There is good cause to believe that Defendants Trek 2. Alliance, Inc., Trek Education Corporation, VonFlagg Corporation, Jeffrey Kale Flagg, a/k/a Kale Flagg, Richard Von Alvensleben, a/k/a Rich Von, Tiffani Von Alvensleben, a/k/a Tiffani Von, and Harry M. Flagg have engaged in and are likely to engage in acts that violate Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and that the Commission is likely to prevail on the merits of this action.
- There is good cause to believe that immediate and irreparable harm will result from Defendants' ongoing violations of the FTC Act unless Defendants are restrained and enjoined by Order of this Court.
- There is good cause to believe that immediate and irreparable damage to the Court's ability to grant effective final relief for consumers in the form of monetary restitution will occur from the sale, transfer, or other disposition or concealment by defendants of assets or records unless defendants are immediately restrained and enjoined by order of this Court, and that in accordance with Fed. R. Civ. P. 65(b), the interests of justice therefore require that this order be granted without prior notice to defendants. There is thus good cause for relieving the Commission of the duty to provide defendants with prior notice of the CommissioneOs-e defveion Corof assets or records unless deferof thebe g

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with asset freeze, appointment of a Temporary Receiver and other equitable relief is in the public interest.

7. No security is required of any agency of the United States for issuance of a restraining order. Fed. R. Civ. P. 65(c).

ORDER

DEFINITIONS

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

- 1. "Plaintiff" means the Federal Trade Commission.
- 2. "Defendants" means Trek Alliance, Inc., Trek Education Corporation, VonFlagg Corporation, Jeffrey Kale Flagg, a/k/a Kale Flagg, Richard Von Alvensleben, a/k/a Rich Von, Tiffani Von Alvensleben, a/k/a Tiffani Von, and Harry M. Flagg, and each of them, by whatever names each might be known by, as well as their successors, assigns, officers, agents, directors, servants, employees, salespersons, independent contractors, attorneys, corporations, subsidiaries, all other persons or entities directly or indirectly under their control or under common control with any of them, and all other persons or entities in active concert or participation with any of them who receive actual notice of this Order by personal service or otherwise, whether acting directly or through any corporation, subsidiary, division, or other device, including, but not limited to, fictitious business names;
- 3. "Corporate Defendants" refers to Trek Alliance, Inc., Trek Education Corporation, and VonFlagg Corporation.

4. "Individual Defendants" refers to Richard Von Alvensleben, a/k/a Rich Von, Tiffani Von Alvensleben, a/k/a Tiffani Von, and Harry M. Flagg.

- 5. "Receivership Defendants" means corporate defendants Trek Alliance, Inc., Trek Education Corporation, and VonFlagg Corporation, their affiliates and subsidiaries, and any other corporations or businesses under the control of any of the corporate defendants.
- 6. "Marketing Program" includes, but is not limited to, any multi-level marketing program, business investment opportunity, pyramid marketing scheme, Ponzi scheme, or chain marketing scheme that is marketed by any of the Defendants.
- 7. "Marketing Program Participant" means anyone who, under a condition that he or she make a payment, is granted the right to receive rewards in return for recruiting other people who are also granted a license or right to receive rewards in return for recruiting others, upon condition of making a payment, and may further perpetuate the chain of person who are granted a right upon such conditions.
- 8. "Material" means likely to affect a person's choice of, or conduct regarding, goods or services.
- 9. "Assets" means any legal or equitable interest in, right to, or claim to, any real or personal property, including, without limitation, chattels, goods, instruments, equipment, fixtures, general intangibles, leaseholds, mail or other deliveries,

A. Representing, or assisting others in representing, expressly or by implication, that persons who participate in such programs will or are likely to receive substantial income from the purchase of products or services by their "downline" --i.e, the participant's recruits and the recruit's successive generation of recruits--or the recruitment of additional participants;

- B. Representing, or assisting others in representing, expressly or by implication, that persons who participate in such a program will or are likely to receive compensation related to recruitment;
- C. Representing, or assisting others in representing, expressly or by implication, that persons who participate in such a program will or are likely to receive compensation related to the purchase or sale of goods or services, unless the payment of such compensation is not prohibited by Section III of this Order;
- D. Falsely representing, or assisting others in falsely representing, expressly or by implication, that persons who participate in such a program are likely to realize substantial financial gain;
- E. Falsely representing, or assisting others in falsely representing, expressly or by implication, that salaried or permanent employment opportunities are available; and
- F. Falsely representing, or assisting others in falsely representing, expressly or by implication, any other material fact.

PROHIBITION AGAINST MATERIAL OMISSIONS

assigns, officers, agents, servants, employees, and attorneys, and those persons or entities in active concert or participation with any of them who receive actual notice of this Order by personal service or otherwise, whether acting directly or through any corporation, subsidiary, division, or other device, in connection with the offering for sale or sale of the right to participate in any Marketing Program, are hereby temporarily restrained and enjoined from failing to disclose, clearly and conspicuously, before any consumer pays to become a Marketing Program

Participant, all information material to a consumer's decision to participate in the Marketing Program, including but not limited to the following:

- A. The average amount of commissions, bonuses and overrides received by all participants in the Marketing Program;
- B. The number and percentage of current Marketing Program Participants who have not received any commissions, bonuses or overrides;
- C. For each level or rank within the pay plan or compensation structure of the Marketing Program, the number and percentage of current Marketing Program Participants who have reached that level or rank, and the average length of time it took to reach that level; and
- D. That the structure of the Marketing Program prevents the vast majority of the Marketing Program Participants from receiving substantial income from bonuses, commissions or overrides.

III.

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PROHIBITION AGAINST MAKING PAYMENTS RELATED TO RECRUITMENT

IT IS FURTHER ORDERED that Defendants and their successors, assigns, officers, agents, servants, employees, and attorneys, and those persons or entities in active concert or participation with any of them who receive actual notice of this Order by personal service or otherwise, whether acting directly or through any corporation, subsidiary, division, or other device, are temporarily restrained and enjoined from operating any Marketing Program that:

- A. Pays any compensation related to recruitment;
- B. Pays any compensation related to the purchase or sale of goods or services unless the majority of such compensation is derived from sales to persons who are not members of such Marketing Program; or
- C. Otherwise constitutes a pyramid marketing scheme, Ponzi scheme, or chain marketing scheme.

IV.

ASSET FREEZE

IT IS FURTHER ORDERED that Defendants are hereby temporarily restrained and enjoined, until further order of this Court, from:

A. Transferring, encumbering, selling, concealing, pledging, hypothecating, assigning, spending, withdrawing, disbursing, conveying, gifting, dissipating, or otherwise disposing of any funds, property, coins, lists of consumer names, shares of stock, or other assets, wherever located, that are (1) owned or controlled by any of the named Defendants, in whole or in part; (2) in the actual or constructive possession of any of the

restrained and enjoined from destroying, erasing, mutilating, concealing, altering, transferring or otherwise disposing of, in any manner, directly or indirectly, any documents that relate to the business practices or business or personal finances of any of the Individual Defendants or the business practices or business finances of any of the Corporate Defendants, including, but not limited to, such documents as any contracts, accounting data, correspondence, advertisements, computer tapes, discs or other computerized records, books, written or printed records, handwritten notes, telephone logs, telephone scripts, receipt books, ledgers, personal and business canceled checks and check registers, bank statements, appointment books, copies of federal, state, or local business or personal income or property tax returns.

including any partnership, limited partnership, joint venture, sole proprietorship or corporation, without first serving on counsel for the Commission a written statement disclosing the following: (1) the name of the business entity; (2) the address and telephone number of the business entity; (3) the names of the business entity's officers, directors, principals, managers and employees; and (4) a detailed description of the business entity's intended activities.

IT IS FURTHER ORDERED that each of the Individual Defendants shall notify the Commission at least seven (7) days prior to any affiliation with any new or previously inactive business or employment. Each notice shall include the defendant's new business address and a statement of the nature of the new business or employment and of his or her duties and responsibilities in connection with that business or employment.

IX.

FINANCIAL INSTITUTIONS

IT IS FURTHER ORDERED that any financial or brokerage institution, business entity, or person having possession, custody, or control of any records of any of the named Defendants or Receivership Defendants, or of any account, safe deposit box, or other asset titled in the name of any of the named Defendants, either individually or jointly or held for the benefit of any of the named Defendants, or that has maintained any such account, safe deposit box, or other asset at any time since January 1, 1999, shall:

A. Hold and retain within its control and prohibit the transfer, encumbrance, pledge, assignment, removal, withdrawal,

dissipation, sale, or other disposal of any such account or other asset, except for transfers or withdrawals authorized in writing by counsel for Plaintiff, by the Temporary Receiver (with respect to assets of any of the Receivership Defendants, or by further order of this Court;

- B. Deny access to any safe deposit box titled individually or jointly in the name of any of the named Defendants or otherwise subject to access by either defendant;
- C. Provide to Plaintiff and to the Temporary Receiver, within three (3) business days of notice of this Order, a sworn statement setting forth:
 - 1. The identification of each account or asset;
- 2. The balance of each account or a description of the nature and value of each asset as of the close of business on the day notification of this Order is received, and, if the account or asset has been closed or moved, the balance or value removed and the person or entity to whom it was transferred; and
- 3. the identification of any safe deposit box titled in the name of or subject to access by any of the named Defendants.
- D. Upon request by counsel for Plaintiff or the Temporary Receiver (with respect to assets held for any of the Receivership Defendants), promptly provide Plaintiff or the Temporary Receiver with copies of all records or other documentation pertaining to such account or asset, including but not limited to originals or copies of account applications, account statements, signature cards bpmite29kpmiwalf sigosit boxe oke signsfers or any sor ptle

currency transaction reports, 1099 forms, and safe deposit box logs; and

E. At the direction of Plaintiff or the Temporary Receiver appointed herein, and without further order of this Court, convert any stocks, bonds, options, mutual funds, or other securities to their cash equivalents.

х.

REPATRIATION OF ASSETS

IT IS FURTHER ORDERED that within five business days following service of this Order, each of the named Defendants shall,

- A. Repatriate to the United States all funds, documents, or assets in foreign countries held either: (1) by them; (2) for their benefit; or (3) under their direct or indirect control, jointly or singly;
- B. The same business day as any repatriation under paragraph A above,
- 1. notify plaintiffs and the Temporary Receiver of the name and location of the financial institution or other entity that is the recipient of such funds, documents, or assets; and
- 2. serve this Order on any such financial institution or other entity;
- C. Provide Plaintiff and the Temporary Receiver with a full accounting of all funds, documents, and assets outside of the territory of the United States held either: (1) by them; (2) for their benefit; or (3) under their direct or indirect control, jointly or singly; and

D. Hold and retain all repatriated funds, documents, and assets and prevent any transfer, disposition, or dissipation whatsoever of any such assets or funds.

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XI.

IMMEDIATE ACCESS TO DEFENDANTS' RECORDS

IT IS FURTHER ORDERED that Defendants and their successors, assigns, officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with any of them who receive actual notice of this Order by personal service or otherwise, whether acting directly or through any corporation, subsidiary, division, or other device, and the Temporary Receiver, shall allow Plaintiff's representatives immediate access to the business premises, mail drops, storage facilities, and all other business locations owned, controlled, or used by defendants, including, but not limited to, 917 Tahoe Blvd., Suites #103 and #208, Incline Village, Nevada, and 875 E. Patriot Blvd., Suite 205, Reno, Nevada. The purpose of the access shall be to effect service and to inspect and copy materials relevant to this action. Plaintiff shall have the right to remove documents from Defendants' premises in order that they may be inspected, inventoried, and copied. Plaintiff shall return any such removed documents within three (3) business days, or such time-period that is agreed upon by Plaintiff and Defendants. Defendants, to the extent they are in possession of documents relevant to this action, shall provide Plaintiff with any necessary means of access to these documents, including without limitation keys and combinations to locks, computer access codes, and storage area access information;

IT IS FURTHER ORDERED that the Temporary Receiver shall subsequently allow the Commission's representatives, the representatives of the named Defendants, and the named Defendants themselves, reasonable access to the business premises of the Receivership Defendants. The purpose of this access shall be to inspect and copy any and all books, records, accounts, and other property owned by or in the possession of the Receivership Defendant. The Temporary Receiver shall have the discretion to determine the time and manner of this access.

IT IS FURTHER ORDERED that if, at the time of service of this Order, any records or property relating to Defendants' business or assets are located in the personal residence of any of the named Defendants, then such Defendant shall, within forty-eight (48) hours of service of this Order, produce to Plaintiff, at a location designated by Plaintiff:

A. All contracts, accounting data, written or electronic correspondence, advertisements, computer tapes, discs, or other computerized or electronic records, books, written or printed records, handwritten notes, telephone logs, telephone scripts, telephone bills, receipt books, ledgers, membership records and lists, refund records, receipts, ledgers, bank records (including personal and business monthly statements, canceled checks, records of wire transfers, and check registers), appointment books, copies of federal, state, and local business or personal income or property tax returns, 1099 forms, title records, and other documents or records of any kind that relate to defendants' business and assets; and

All computers and data in whatever form, used by

APPOINTMENT OF TEMPORARY RECEIVER

(cont'd from previous page)

Strawfed however that the Temporary Receiver shall,

Temporary Receiver that such persons are not removing from the premises documents or assets of the Receivership Defendants;

- D. Conserve, hold, and manage all receivership assets, and perform all acts necessary or advisable to preserve the value of those assets, in order to prevent any irreparable loss, damage, or injury to consumers or to creditors of the Receivership Defendants, including, but not limited to, obtaining an accounting of the assets and preventing transfer, withdrawal, or misapplication of assets;
- E. Enter into contracts and purchase insurance as advisable or necessary;
- F. Prevent the inequitable distribution of assets and to determine, adjust, and protect the interests of consumers and creditors who have transacted business with the Receivership Defendants;
- G. Manage and administer the business of the Receivership Defendants until further order of this Court by performing all incidental acts that the Temporary Receiver deems to be advisable or necessary, which includes retaining, hiring, or dismissing any employees, independent contractors, or agents;
- H. Choose, engage, and employ attorneys, accountants, appraisers, and other independent contractors and technical specialists, as the Temporary Receiver deems advisable or necessary in the performance of duties and responsibilities under the authority granted by this Order;
- I. Make payments and disbursements from the receivership estate that are necessary or advisable for carrying out the directions of, or exercising the authority granted by, this Order.

The Temporary Receiver shall apply to the Court for prior approval of any payment of any debt or obligation incurred by the Receivership Defendants prior to the date of entry of this Order, except payments that the Temporary Receiver deems necessary or advisable to secure assets of the Receivership Defendants, such as rental payments;

- J. Determine and implement the manner in which the Receivership Defendants will comply with, and prevent violations of, this Order and all other applicable laws;
- K. Institute, compromise, adjust, appear in, intervene in, or become party to such actions or proceedings in state, federal or foreign courts that the Temporary Receiver deems necessary and advisable to preserve or recover the assets of the Receivership Defendants or that the Temporary Receiver deems necessary and advisable to carry out the Temporary Receiver's mandate under this Order;

- N. Open one or more bank accounts as designated depositories for funds of the Receivership Defendants. The Temporary Receiver shall deposit all funds of the Receivership Defendants in such a designated account and shall make all payments and disbursements from the receivership estate from such an account; and
- O. Maintain accurate records of all receipts and expenditures that s/he makes as Temporary Receiver.

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XIV.

COOPERATION WITH THE TEMPORARY RECEIVER

IT IS FURTHER ORDERED that Defendants, and their agents, servants, employees, and attorneys, and all persons or entities directly or indirectly under the control of either of them, and all other persons or entities in active concert or participation with either of them who receive actual notice of this Order by personal service or otherwise, and each such person, shall fully cooperate with and assist the Temporary Receiver. cooperation and assistance shall include, but not be limited to, providing any information to the Temporary Receiver that the Temporary Receiver deems necessary to exercising the authority and discharging the responsibilities of the Temporary Receiver under this Order; providing any password required to access any computer or electronic files in any medium; or advising all persons who owe money to the Receivership Defendants (other than sales representatives) that all debts should be paid directly to the Temporary Receiver. Defendants are hereby temporarily restrained and enjoined from directly or indirectly:

A. Transacting any of the business of the Receivership Defendants, or transacting business under the name Trek, Trek Alliance, Inc., Trek Education Corporation, TEC, VonFlagg Corporation, or any substantially similar name;

- B. Destroying, secreting, defacing, transferring, or otherwise altering or disposing of any documents of the Receivership Defendants, including, but not limited to, books, records, accounts, or any other papers of any kind or nature;
- C. Transferring, receiving, altering, selling, encumbering, pledging, assigning, liquidating, or otherwise disposing of any assets owned, controlled, or in the possession or custody of, or in which an interest is held or claimed by, the Receivership Defendants, or the Temporary Receiver;
 - D. Excusing debts owed to the Receivership Defendants;
- E. Failing to notify the Temporary Receiver of any asset, including accounts, of a Receivership Defendants held in any name other than the name of the Receivership Defendants, or by any person or entity other than the Receivership Defendants, or failing to provide any assistance or information requested by the Temporary Receiver in connection with obtaining possession, custody, or control of such assets; or
- F. Doing any act or refraining from any act whatsoever to interfere with the Temporary Receiver's taking custody, control, possession, or managing of the assets or documents subject to this receivership; or to harass or interfere with the Temporary Receiver in any way; or to interfere in any manner with the exclusive jurisdiction of this Court over the assets or documents of the Receivership Defendants; or to refuse to cooperate with the

Temporary Receiver or the Temporary Receiver's duly authorized agents in the exercise of their duties or authority under any Order of this Court.

xv.

DELIVERY OF RECEIVERSHIP PROPERTY

IT IS FURTHER ORDERED that:

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- A. Immediately upon service of this Order upon them, or within a period permitted by the Temporary Receiver, the Individual Defendants and all other persons in possession, custody, and control of assets or documents of the Receivership Defendants shall transfer or deliver possession, custody, and control of the following to the Temporary Receiver:
 - 1. All assets of the Receivership Defendants;
- 2. All documents of the Receivership Defendants, including, but not limited to, books and records of accounts, all financial and accounting records, balance sheets, income statements, bank records (including monthly statements, canceled checks, records of wire transfers, and check registers), client lists, title documents and other papers;
- 3. All assets belonging to members of the public now held by the Receivership Defendants; and
- 4. All keys and codes necessary to gain or to secure access to any assets or documents of the Receivership Defendants, including, but not limited to, access to their business premises, means of communication, accounts, computer systems, or other property.
- B. In the event any person or entity fails to deliver or transfer any asset or otherwise fails to comply with any provision

of this Paragraph, the Temporary Receiver may file, on an \underline{ex} parte basis, an Affidavit of Non-Compliance regarding the failure. Upon filing of the affidavit, the Court may authorize, without additional process or demand, Writs of Possession or Sequestration or other equitable writs requested by the Temporary Receiver. The writs shall authorize and direct the United States Marshal or any sheriff or deputy sheriff of any county (pursuant to Fed. R. Civ. P. 4(c)(1)) to seize the asset, document, or other thing and to deliver it to the Temporary Receiver.

XVI.

11 BANKRUPTCY PETITIONS

IT IS FURTHER ORDERED that, in light of the asset freeze and appointment of the Temporary Receiver, each of the Individual Defendants is hereby prohibited from filing, or causing to be filed, on behalf of either him- or herself or of any of the Corporate or Receivership Defendants, a petition for relief under the United States Bankruptcy Code, 11 U.S.C. § 101 et seq., without prior permission from this Court.

XVII.

TRANSFER OF FUNDS TO THE TEMPORARY RECEIVER

IT IS FURTHER ORDERED that, upon service of a copy of this Order, all banks, broker-dealers, savings and loans, escrow agents, title companies, commodity trading companies, or other financial institutions shall cooperate with all reasonable requests of the Temporary Receiver relating to implementation of this Order, including transferring funds at his direction and producing records related to the assets of the Receivership Defendants.

XVIII.

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- 4. Doing any act or thing whatsoever to interfere with the Temporary Receiver taking custody, control, possession, or management of the assets or documents subject to this receivership, or to harass or interfere with the Temporary Receiver in any way, or to interfere in any manner with the exclusive jurisdiction of this Court over the assets or documents of the Receivership Defendants.
- B. This paragraph does not stay:
- The commencement or continuation of a criminal action or proceeding;
- 2. The commencement or continuation of an action or proceeding by a governmental unit to enforce such governmental unit's police or regulatory power;
- 3. The enforcement of a judgment, other than a money judgment, obtained in an action or proceeding by a governmental unit to enforce such governmental unit's police or regulatory power;
- 4. The commencement of any action by the Secretary of the United States Department of Housing and Urban Development to foreclose a mortgage or deed of trust in any case in which the mortgage or deed of trust held by the Secretary is insured or was formerly insured under the National Housing Act and covers property, or combinations of property, consisting of five or more living units; or
- 5. The issuance to a Receivership Defendants of a notice of tax deficiency.
- C. Except as otherwise provided in this Order, all persons and entities in need of documentation from the Temporary Receiver

1 shall in all instances first attempt to secure such information by submitting a formal written request to the Temporary Receiver,

Temporary Receiver will well and truly perform the duties of the office and abide by and perform all acts the Court directs.

DISTRIBUTION OF ORDER

XXI.

IT IS FURTHER ORDERED that named Defendants shall immediately provide a copy of this Order to each of the Corporate Defendants' affiliates, franchises, subsidiaries, divisions, successors, assigns, directors, officers, managing agents, employees, representatives, and independent contractors and shall, within three (3) business days from the date of service of this Order, serve on plaintiff affidavits identifying the names, titles, addresses, and telephone numbers of the persons and entities whom they have served pursuant to this provision. The Temporary Receiver has no obligation under this provision.

XXII.

CREDIT REPORTS

IT IS FURTHER ORDERED that Plaintiff may obtain credit reports concerning any of the named Defendants pursuant to Section 604(a)(1) of the Fair Credit Reporting Act, 15 U.S.C. § 1681b(a)(1), and that, upon written request, any credit reporting agency from which such reports are requested shall provide them to Plaintiff.

XXIII.

CORRESPONDENCE

IT IS FURTHER ORDERED that, for the purposes of this Order, all correspondence and service of pleadings on Plaintiff shall be addressed to:

John D. Jacobs 1 Jennifer M. Brennan Federal Trade Commission 10877 Wilshire Blvd., #700 2 Los Angeles, CA 90024 Fax: (310).824-4380 3 4 XXIV. 5 PRELIMINARY INJUNCTION HEARING 6

represented by counsel, to a fax number previously designated by the defendant in writing to counsel for Plaintiff; if the defendant has not so designated a fax number/x012 7

EXPIRATION

IT IS FURTHER ORDERED that this Order shall expire as to each named Defendant ten (10) court days after entry unless, within such time, for good cause shown, it is extended for a like period, or unless the named Defendant consents that it may be extended for