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1 2011, the Court issued a Statement of Decision (Docket No. 431) finding by a
2 preponderance of evidence that BurnLounge, Inc., Juan Alexander Arnold, John
3 Taylor, and Rob DeBoer had violated Section 5 of the FTC Act, and that
4 permanent injunctive and equitable monetary relief was warranted pursuant to 15
5 U.S.C. §§ 45 and 53. The Court directed Plaintiff to resubmit an amended
6 proposed order conforming to the Court's Statement of Decision.

7 Based on the record established in this matter and for reasons set forth in the
8 Court's Statement of Decision, it is hereby **ORDERED, ADJUDGED AND**
9 **DECREED:**

10 **DEFINITIONS**

11 For purposes of this Final Judgment and Order for Permanent Injunction and
12 Other Equitable Relief (hereinafter "Final Order"), the following definitions shall
13 apply:

14 1. "Business opportunity" means:

15 (a) A commercial arrangement in which the seller solicits a
16 prospective purchaser to enter into a new business;

17 (b) The prospective purchaser makes a required payment; and

18 (c) The seller, expressly or by implication, orally or in writing,
19 represents that the seller or one or more designated persons
20 will:

21 (i) Provide locations for the use or operation of equipment,
22 displays, vending machines, or similar devices, owned,
23 leased, controlled or paid for by the purchaser;

24 (ii) Provide outlets, accounts, or customers, including, but
25 not limited to, Internet outlets, accounts, or customers,
26 for the purchaser's goods or services; or

27 (iii) Buy back any or all of the goods or services that the
28 purchaser makes, produces, fabricates, grows, breeds,

1 modifies, or provides, including but not limited to
2 providing payment for such services as, for example,
3 stuffing envelopes from the purchaser's home.

- 4 2. "Business Venture" means any written or oral business arrangement,
5 however denominated, that is a business opportunity, franchise, or that
6 consists of the payment of any consideration in exchange for: (a) the
7 right or means to offer, sell, or distribute goods or services (regardless
8 of whether identified by a trademark, service mark, trade name,
9 advertising or other commercial symbol); and (b) more than nominal
10 assistance to any person or entity in connection with or incident to the
11 establishment, maintenance, or operation of a new business, or the
12 entry by an existing business into a new line or type of business.
- 13 3. "Consumer" means an actual or potential purchaser, customer,
14 subscriber, or natural person.
- 15 4. "Defendant BurnLounge" means Defendant BurnLounge, Inc., and its
16 successors and assigns.
- 17 5. "Defendant Arnold" means Defendant Juan Alexander Arnold.
- 18 6. "Defendant Taylor" means Defendant John Taylor, whose legal name
19 is John Marcus Taylor.
- 20 7. "Defendant DeBoer" means Defendant Rob DeBoer, whose legal
21 name is Robert Edwards DeBoer.
- 22 8. "Defendants" means Defendants BurnLounge, Inc., Juan Alexander
23 Arnold, John Taylor and Rob DeBoer.
- 24 9. "Individual Defendants" means Defendants Arnold, Taylor and
25 DeBoer.
- 26 10. The term "document" is synonymous in meaning and equal in scope to
27 the usage of the term in Federal Rule of Civil Procedure 34(a), and
28 includes writings, drawings, graphs, charts, photographs, audio and

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video recordings, electronically stored information, computer records, and other data compilations from which information can be obtained and translated, if necessary, through detection devices into reasonably usable form. A draft or non-identical copy is a separate document within the meaning of the term.

1 participants, or have additional participants placed by the promoter or
2 any other person into the program participant's downline, tree,
3 cooperative, income center, or other similar program grouping; (b) sell
4 goods or services; and (c) receive payment or other compensation, in
5 whole or in part, based upon the sales of those in the participants
6 downline, tree, cooperative, income center or similar program
7 grouping.

8 17. "New business" means a business in which the prospective purchaser
9 is not currently engaged, or a new line or type of business.

10 18. "Participating in any prohibited marketing scheme" includes, but is
11 not limited to, promoting, marketing, advertising, offering for sale, or
12 selling, or assisting others in the offering for sale or selling the right to
13 participate in, the prohibited marketing scheme, as well as acting or
14 serving as an officer, director, employee, salesperson, agent,
15 shareholder, advisor, consultant, independent contractor, or
16 distributor, or acting as a speaker or spokesperson on behalf of, any
17 prohibited marketing scheme.

18 19. "Prohibited Marketing Scheme" means a pyramid sales scheme, Ponzi
19 scheme, chain marketing scheme, or other marketing plan or program
20 in which participants pay money or valuable consideration in return
21 for which they obtain the right to receive rewards for recruiting other
22 participants into the program, and those rewards are unrelated to the
23 sale of products or services to ultimate users. For purposes of this
24 definition, "sale of products or services to ultimate users" does not
25 include sales to other participants or recruits or to the participants'
26 own accounts.

27 20. "Trademark" means trademarks, service marks, names, logos, and
28 other commercial symbols.

1 **ORDER**

2 **I. Prohibited Marketing Schemes**

3 IT IS THEREFORE ORDERED that each Defendant and their officers,
4 agents, servants, employees, and attorneys, and those persons in active concert or
5 participation with them who receive actual notice of this Final Order by personal
6 service or otherwise, whether acting directly or through any entity, corporation,
7 subsidiary, division, or other device, are permanently restrained and enjoined from
8 engaging, participating, or assisting in any manner or capacity whatsoever, in any
9 Prohibited Marketing Scheme.

10 **II. Prohibited Representations**

11 IT IS FURTHER ORDERED that, in connection with the advertising,
12 promotion, offering for sale, or sale, or assisting others in the advertising,
13 promotion, offering for sale, or sale of any Multi-level Marketing Program or
14 Business Venture, each Defendant and their officers, agents, servants, employees,
15 and attorneys, and those persons in active concert or participation with them who
16 receive actual notice of this Final Order by personal service or otherwise, whether
17 acting directly or through any entity, corporation, subsidiary, division, or other
18 device, are permanently restrained and enjoined from making, expressly or by
19 implication, orally or in writing, any false or misleading statement or
20 misrepresentation of material fact including, but not limited to, the following:

21 A. Misrepresentations about the amount of sales, income, or profits that a
22 participant in such Multi-level Marketing Program or Business Venture can
23 reasonably expect to achieve;

24 B. Misrepresentations about the amount of sales, income, or profits that a
25 participant or participants in such Multi-level Marketing Program or Business
26 Venture have actually achieved;

27 C. Misrepresentations about the profitability of participating in such
28 Multi-level Marketing Program or Business Venture

1 D. Misrepresentations that a person who participates in such Multi-level
2 Marketing Program or Business Venture can reasonably expect to recoup his or her
3 investment;

4 E. Misrepresentations of any reward offered to or earned by participants
5 in such Multi-level Marketing Program or Business Venture;

6 F. Misrepresentations of the legality of such Multi-level Marketing
7 Program or Business Venture; and

8 G. Misrepresentations of any material aspect of the performance,
9 efficacy, nature, or central characteristic of any good or service offered for sale
10 through such Multi-level Marketing Program or Business Venture.

11 **III. Prohibition Against Material Omissions**

12 IT IS FURTHER ORDERED that, in connection with the advertising,
13 promotion, offering for sale, or sale, or assisting others in the advertising,
14 promotion, offering for sale, or sale of any Multi-level Marketing Program or
15 Business Venture, each Defendant and thei

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1 **IV. Equitable Monetary Relief**

2 IT IS FURTHER ORDERED that:

3 A. Judgment is hereby entered in favor of the Commission and against
4 Defendants BurnLounge and Arnold, jointly and severally, in the amount of
5 sixteen million two hundred forty-five thousand seven hundred ninety-nine dollars
6 and seventy cents (\$16,245,799.70), to be utilized to directly reimburse
7 consumers who were injured by the BurnLounge pyramid scheme, except as
8 provided for in Section V.A. The judgment shall be paid to the Commission within
9 ten (10) days of entry of this Final Order. Full payment of this sum shall fully
10 satisfy all monetary claims asserted by the Commission against Defendants
11 BurnLounge and Arnold in this matter. Within ten (10) days of entry of this Final
12 Order, in partial satisfaction of the judgment, Defendants Arnold and BurnLounge
13 shall do the following:

- 14 1. Defendant Arnold shall transfer to the Commission his interest
15 in 1430 N. Cahuega Partners, LP, and all rights and title to that
16 interest; and
17 2. Defendant BurnLounge shall:
18 a. Transfer to the Commission its membership interest in
19 Beatport LLC, and all rights and title to that membership
20 interest; and
21 b. Transfer to the Commission all funds owned by
22 BurnLounge or held on its behalf in banks or financial
23 institutions, or otherwise. These funds shall include, but
24 not be limited to, the \$72,076.68 and \$50,267.00 and any
25 interest earned thereon, that Defendant BurnLounge was
26 ordered to preserve, pursuant to the Court's Order of
27 August 4, 2008 [Docket No. 268].

28 B. Judgment is hereby entered in favor of the Commission and against

1 Defendant DeBoer in the amount of one hundred fifty thousand dollars
2 (\$150,000.00) as disgorgement. Defendant DeBoer shall disgorge that amount to
3 the Commission within ten (10) days of entry of this Final Order. Full payment of
4 this sum shall fully satisfy all monetary claims asserted by the Commission against
5 Defendant DeBoer in this matter.

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1 means, including but not limited to:

- 2 1. Obtaining discovery from any person, without further leave of
3 court, using the procedures prescribed by Fed. R. Civ. P. 30, 31,
4 33, 34, 36, 45 and 69;
- 5 2. Posing as consumers and suppliers to Defendants, their
6 employees, or any other entity managed or controlled in whole
7 or in part by any Defendant, without the necessity of
8 identification or prior notice; and

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

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

19 **VII. Compliance Reporting**

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

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1 B. One hundred eighty (180) days after the date of entry of this Final
2 Order and annually thereafter for a period of five (5) years, Defendants each shall
3 provide a written report to the FTC, which is true and accurate and sworn to under
4 penalty of perjury, setting forth in detail the manner and form in which they have
5 complied and are complying with this Final Order. This report shall include, but
6 not be limited to:

7 1. For each Individual Defendant:

8 a. Such Defendant's then-current residence address, mailing
9 addresses, and telephone numbers;

10 b. Such Defendant's then-current employment status
11 (including self-employment), including the name,
12 addresses, and telephone numbers of each business that
13 such Defendant is affiliated with, employed by, or
14 performs services for; a detailed description of the nature
15 of the business; and a detailed description of such
16 Defendant's duties and responsibilities in connection
17 with the business or employment; and

18 c. Any other changes required to be reported under
19 Subsection A of this Section.

20 2. For all Defendants:

21 a. A copy of each acknowledgment of receipt of this Final
22 Order, obtained pursuant to the Section titled
23 "Distribution of Order";

24 b. Any other changes required to be reported under
25 Subsection A of this Section.

26 C. Each Defendant shall notify the Commission of the filing of a
27 bankruptcy petition by such Defendant within fifteen (15) days of filing.

28 D. For the purposes of this Final Order, Defendants shall, unless

1 otherwise directed by the Commission's authorized representatives, send by
2 overnight courier all reports and notifications required by this Final Order to the
3 Commission, to the following address:

4 Associate Director for Enforcement
5 Federal Trade Commission
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1 C. Customer files containing the names, addresses, phone numbers,
2 dollar amounts paid, quantity of items or services purchased, and description of
3 items or services purchased, to the extent such information is obtained in the
4 ordinary course of business;

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1 Individual Defendant controls, directly or indirectly, or in which such Defendant
2 has a majority ownership interest, such Defendant must deliver a copy of this Final
3 Order to (1) all principals, officers, directors, and managers of that business; (2) all
4 employees, agents, and representatives of that business who engage in conduct
5 related to the subject matter of the Final Order; and (3) any business entity
6 resulting from any change in structure set forth in Subsection A.2 of the Section
7 titled "Compliance Reporting." For current personnel, delivery shall be within five
8 (5) days of service of this Final Order upon such Defendant. For new personnel,
9 delivery shall occur prior to them assuming their responsibilities. For any business
10 entity resulting from any change in structure set forth in Subsection A.2 of the
11 Section titled "Compliance Reporting," delivery shall be at least ten (10) days prior
12 to the change in structure.

13 C. Individual Defendant as employee or non-control person: For any
14 business where an Individual Defendant is not a controlling person of a business
15 but otherwise engages in conduct related to the subject matter of this Final Order,
16 such Defendant must deliver a copy of this Final Order to all principals and
17 managers of such business before engaging in such conduct.

18 D. Defendants must secure a signed and dated statement acknowledging
19 receipt of the Final Order, within thirty (30) days of delivery, from all persons
20 receiving a copy of the Final Order pursuant to this Section.

21 **X. Acknowledgment of Receipt of Order**

22 IT IS FURTHER ORDERED that each Defendant, within five (5)
23 business days of receipt of this Final Order as entered by the Court, must submit to
24 the Commission a truthful sworn statement acknowledging receipt of this Final
25 Order.

26 **XI. Independence of Obligations**

27 IT IS FURTHER ORDERED that each of the obligations imposed by
28 this Final Order is independent of all other obligations under the Final Order, and

1 that the expiration of any requirements imposed by this Final Order shall not affect
2 any other obligation arising under this Final Order.

3 **XII. Costs and Attorneys Fees**

4 IT IS FURTHER ORDERED that each party to this Final Order bear
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A handwritten signature in cursive script, appearing to read "James H. White", is written over a solid black rectangular redaction bar.