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UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, CENTRAL DIVISION

FEDERAL TRADE COMMISSION,
Plaintiff,

v.

WASATCH CREDIT CORP., a Utah Corporation,
WASATCH EQUITIES CORP., a Utah Corporation, Case No.
WASATCH LOANS, INC., a Utah Corporation,
WASATCH RECOVERY CORP., a Utah Corporation,
RHK FAMILY TRUST, a Trust, and DAVID KNUDSON STIPULATED FINAL
and HOLLY KNUDSON, as Individuals and as Trustee JUDGMENT AND ORDER
the RHK FAMILY TRUST,

Defendants.

Plaintiff, Federal Trade Commission ("Commission"), has filed a Complaint for a per

1994 ("HOEPA"), as amended, TILA's
implementing Regulation Z, 12 C.F.R. 226, as amended, and Section 5(a) of the FTC
15 U.S.C. § 45(a), as amended.

Sections 106 and 128(a)(3) of TILA, 15 U.S.C. §§ 1605 and 1638(a)(3), and Sections 226.4 and 226.18(d) of Regulation Z, 12 C.F.R. §§ 226.4 and 226.18(d), and Section 5(a) of the FTC Act, 15 U.S.C. § 45(a);

E. Failing to disclose, or accurately disclose, the annual percentage rate, as required by Sections 107 and 128(a)(4) of TILA, 15 U.S.C. §§ 1606 and 1638(a)(4), and Sections 226.18(e) and 226.22 of Regulation Z, 12 C.F.R. §§ 226.18(e) and 226.22, and Section 5(a) of the FTC Act, 15 U.S.C. § 45(a);

F. Failing to disclose, or accurately disclose, the payment schedule, as required by Section 128(a)(6) of TILA, 15 U.S.C. § 1638(a)(6), and Section 226.18(g) of Regulation Z, 12 C.F.R. § 226.18(g), and Section 5(a) of the FTC Act, 15 U.S.C. § 45(a);

G. Failing to disclose, or accurately disclose, the total of payments, as required by Section 128(a)(5) of TILA, 15 U.S.C. § 1638(a)(5), and Section 226.18(h) of Regulation Z, 12 C.F.R. § 226.18(h), and Section 5(a) of the FTC Act, 15 U.S.C. § 45(a);

H. Failing to disclose, or accurately disclose, whether or not a penalty may be imposed if the obligation is prepaid in full, as required by Section 128(a)(11) of TILA, 15 U.S.C. § 1638(a)(11)

specifically modifies or waives the right to rescind, and bears the signatures of all the consumers entitled to rescind, in violation of Section 125(d) of TILA, 15 U.S.C. § 1635(d), and Section 226.23(e) of Regulation Z, 12 C.F.R. § 226.23(e), and Section 5(a) of the FTC Act, 15 U.S.C. § 45(a);

P. Engaging in any practice that deprives a consumer of the right to rescind, in violation of Section 125(a) of TILA, 15 U.S.C. § 1635(a), and Section 226.23(a) of Regulation Z, 12 C.F.R. § 226.23(a), and Section 5(a) of the FTC Act, 15 U.S.C. § 45(a);

Q. Retaining, collecting, or threatening to retain or collect any amount in connection with a consumer credit transaction rescinded by a consumer pursuant to TILA, in violation of Section 125(b) of TILA, 15 U.S.C. § 1635(b), and Section 226.23(d)(1) of Regulation Z, 12 C.F.R. § 226.23(d)(1), and Section 5(a) of the FTC Act, 15 U.S.C. § 45(a);

R. Failing to retain evidence of compliance with Regulation Z, as required by Section 226.25(a) of Regulation Z, 12 C.F.R. § 226.25(a); and

S. Failing to comply with any other provision of TILA or Regulation Z.

III. Injunction Against FTC Act Violations

C. Directing a consumer to falsely state the purpose of an extension of credit, including but not limited to stating that the extension of credit is primarily for a business or commercial purpose when in fact, it is primarily for a personal, family or household purpose; and

DISCLOSE MATERIAL INFORMATION IN THE OFFERING AND EXTENDING OF
CONSUMER CREDIT;

D. Defendants shall provide a copy of each bond required by Section IV of this Order to Regional Director, Federal Trade Commission, 915 Second Avenue, Suite 2896, Seattle, WA 98174, at least ten (10) days prior to the commencement of any activity or business for which the bond is required; and

E. The bond required by Section IV of this Order shall be in addition to, and not in

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years after the date of the note or contract;

B. If the note or contract provides for an increase in the interest rate in the event of default in violation of Section 129(d) of TILA, 15 U.S.C. § 1639(d), and Section 226.32(d)(4) of Regulation Z, 12 C.F.R. § 226.32(d)(4), reform the note or contract by nullifying that provision; and

C. Mail or deliver to each consumer obligated in a note or contract reformed pursuant to Section VI of this Order a clear and conspicuous written notice describing each change made in the note or contract and stating that each nullified provision will not be enforced by any party, and that does not contain any other information.

VII. Truthfulness of Financial Statements

IT IS FURTHER ORDERED that, within three (3) business days after the date of entry of this Order, defendants David Knudson and Holly Knudson shall each submit to the Commission a sworn statement, in the form shown in Attachment A/B to this Order, that shall reaffirm and attest to the truthfulness, accuracy, and completeness of the Financial Statements that they executed on _____, 1999, and the related documents previously submitted to the Commission (together designated as the "Financial Statement") on behalf of defendants Wasatch Credit Corp., Wasatch Equities Corp., Wasatch Loans Wasatch Recovery Corp., and RHK Family Trust. The Commission's agreement to this Order is expressly premised upon the truthfulness, accuracy, and completeness of defendants' financial condition as represented in the Financial Statements references which contain material information upon which the Commission relied in negotiating and agreeing to the terms of this Order, including the amount of monetary redress and the terms of the consumer redress payments stated in this Order.

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

B. For purposes of determining the amount of redress: (1) if the Financial Statement failed to disclose a material asset or materially misrepresented the value of an asset, forfeiture of the asset, or the fair market value (or difference in fair market value) thereof, calculated as of the date of entry of this Order, shall constitute an appropriate amount of redress; (2) if the Financial Statement failed to report the transfer of any asset to another person, the fair market value of the asset shall constitute an appropriate amount of redress. If defendants cannot pay the fair market value of the asset, and such transfer was not to a bona fide purchaser for value, this Court shall impose a constructive trust for the benefit of injured consumers over the asset, and the asset shall be conveyed by the transferee to the Commission, ~~however~~, that in all other respects, this Order shall remain in full force and effect unless otherwise ordered by this Court.

VIII. Commission's Authority to Monitor Compliance

IT IS FURTHER ORDERED that the Commission is authorized to monitor defendant compliance with this Order by lawful means, including but not limited to the following means:

- A. The Commission is authorized, without further leave of court, to obtain discovery from any person in the manner provided by Chapter V of the Federal Rules of Civil Procedure, Fed. R. Civ. P. 267, including the use of compulsory process pursuant to Fed. R. Civ. P. 45, for the purpose of monitoring and investigating defendants' compliance with any provision of this Order;
- B. The Commission is authorized to use representatives posing as consumers and suppliers to any defendant, defendants' employees, or any other entity managed or controlled in whole or in part by any defendant, without the necessity of identification or prior notice; and
- C. 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 and 57b-1 to investigate whether any defendant has violated any provision of this Order or Section 5 of the FTC Act, 15 U.S.C. § 45.

IX. Record Keeping Requirements

IT IS FURTHER ORDERED that, for a period of five (5) years from the date of entry of this Order, defendants, their successors and assigns, in connection with any business

(1) any individual defendant is the majority owner of the business or directly or indirectly manages or controls the business, and where

(2) the business is engaged in offering or extending consumer credit

are hereby permanently restrained and enjoined from failing to retain for a period of five (5) years following the date of their creation, unless otherwise specified:

- A. Each disclosure statement, notice or other document provided by or on behalf of defendant to any consumer pursuant to any provision of TILA, HOEPA or Regulation Z, including but not limited to Sections 226.18, 226.23, and 226.32 of Regulation Z, 12 C.F.R. §§ 226.18, 226.23, and 226.32; each waiver received pursuant to Sections 226.23(e) or 226.31(c)(1)(iii) of Regulation Z, 12 C.F.R. §§ 226.23(e) or 226.31(c)(1)(iii); each worksheet or other calculation tool used to produce TILA or HOEPA disclosures, including but not limited to computer programs and software; and all other records necessary to demonstrate defendants' compliance with TILA, HOEPA, and Regulation Z; *provided, however, that* nothing in Section IX.A of this Order shall be construed to supersede or limit defendants' ongoing obligation to retain evidence of compliance with Regulation Z pursuant to Section 226.25(a) of Regulation Z, 12 C.F.R. § 226.25(a), and Section II.R of

Order;
B. Each

independent contractors or otherwise, immediately upon employing or retaining such persons, for any business where:

(1) any individual defendant is the majority owner of the business directly or indirectly manages or controls the business, and where

(2) the business is engaged in offering or extending consumer credit; and

B. Maintain for a period of five (5) years after creation, and upon reasonable notice, make available to representatives of the Commission, the original signed and dated acknowledgments of the receipt of copies of this Order, as required in Section X.A of this Order.

XI. Compliance Reporting by Defendants

IT IS FURTHER ORDERED that, to assist the Commission in monitoring defendants' compliance with this Order, defendants, their successors and assigns:

A. For a period of five (5) years from the date of entry of this Order, shall notify the Commission of the following:

1. Any changes in defendant's residence, mailing addresses, or telephone numbers, within ten (10) days of the date of such change;

2. Any changes in defendant's employment status (including self-employment) within ten days of the date of such change.

involved in responding to consumer complaints or inquiries, and all personnel, whether designated as employees, consultants, independent contractors or of any business to which Section XII.A of this Order applies, concerning matters relating to compliance with this Order. The person interviewed may have counsel present. *Provided that*, upon application of the Commission and for good cause shown, the Court may enter *ex parte* order granting immediate access to a defendant's business premises for the purposes of inspecting and copying all documents relevant to any matter contained in this Order.

XIII. Mailing of Notices

IT IS FURTHER ORDERED that all notices and reports required by this Order shall be made in writing and sent by first class United States mail to Regional Director, Federal Trade Commission, 400 ...

Federal Trade Commission

DEFENDANTS:

WASATCH CREDIT CORP.

By:

[NAME, TITLE]

Wasatch Credit Corp.

WASATCH EQUITIES CORP.

By:

[NAME, TITLE]

Wasatch Equities Corp.

WASATCH LOANS, INC.

By:

Mark J. Griffin
Russell S. Walker
Woodbury & Kesler, PC
Attorneys for Defendants
265 East 100 South, Suite 300
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(801) 3641100

ATTACHMENT A

UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, CENTRAL DIVISION

FEDERAL TRADE COMMISSION
Plaintiff,

Case No.

v.

WASATCH CREDIT CORP., a
Utah Corporation, *et al.*
Defendants.

DECLARATION OF DAVID KNUDSON AS TO
FINANCIAL STATEMENTS

Pursuant to 28 U.S.C. § 1746, David Knudson declares as follows:

1. My name is David Knudson. My current residence address is _____ . I am over the age of eighteen. I have personal knowledge of the facts set forth in this Declaration.

2. I am a defendant in *FTC v. Wasatch Credit Corp., et al.*, Case No. _____ (U.S. District Court, District of Utah).

3. The information contained in the Financial Statements of Wasatch Credit Corp., Wasatch Equities Corp., Wasatch Loans, Inc., Wasatch Recovery Corp., and RHK Family Trust executed by me on _____, 1999, 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 is true and correct.

Executed on _____, 199__.

David Knudson

ATTACHMENT B

UNITED STATES DISTRICT COURT

DISTRICT OF UTAH, CENTRAL DIVISION

FEDERAL TRADE COMMISSION,
Plaintiff,

Case No.

v.

WASATCH CREDIT CORP., a Utah Corporation, *et al.*
Defendants.

DECLARATION OF HOLLY KNUDSON AS
TO FINANCIAL STATEMENTS

Pursuant to 28 U.S.C. § 1746, Holly Knudson declares as follows:

1. My name is Holly Knudson. My current residence address is _____
I am over the age of eighteen. I have personal knowledge
of the facts set forth in this Declaration.

2. I am a defendant in *FTC v. Wasatch Credit Corp., et al.* Case No. _____
(U.S. District Court, District of Utah).

Pursuant to 28 U.S.C. § 1746, David Knudson declares as follows:

1. My name is David Knudson. My current residence address is _____ . I am ~~over~~ ^{over} age of eighteen. I have personal knowledge of the facts set forth in this Declaration.

2. I am a defendant in ~~FTC v. Wasatch Credit Corp., et al.~~ ^{FTC v. Wasatch Credit Corp., et al.}, Case No. _____ (U.S. District Court, District of Utah).

3. On _____, 1999, I received ~~a~~ ^a copy of the Stipulated Final Judgment and Order, which was signed by the Honorable [name of U.S. District Judge] and entered Court on _____, 1999, on behalf of Wasatch Credit Corp., Wasatch Equ Corp., Wasatch Loans, Inc., Wasatch ~~Recovery~~ ^{Recovery} Corp., and RHK Family Trust. A true and correct copy of the Order I received is appended to this Declaration.

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

Executed on _____, 1999.

David Knudson

ATTACHMENT D

UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, CENTRAL DIVISION

FEDERAL TRADE COMMISSION,
Plaintiff,

Case No.

v.

WASATCH CREDIT CORP., a Utah ~~DECLARATION OF HOLLY KNUDSON AS~~
Corporation, *et al.* TO RECEIPT OF ORDER
Defendants.

Pursuant to 28 U.S.C. § 1746, Holly Knudson declares as follows:

3. On _____, 1999, I received a copy of the Stipulated Final Judgment and Order, which was signed by the Honorable [name of U.S. District Judge] and entered Court on _____, 1999, on behalf of Wasatch Credit Corp., Wasatch Equ Corp., Wasatch Loans, Inc., Wasatch Recovery Corp., and RHK Family Trust