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8 Attorneys for Plaintiff,
9 The People of the State of California

10
11 SUPERIOR COURT OF THE STATE OF CALIFORNIA
12 COUNTY OF LOS ANGELES, CENTRAL DISTRICT
13

14 PEOPLE OF THE STATE OF CALIFORNIA,

15 Plaintiff,

16 v.

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18 YOURTRAVELBIZ.COM, INC., aka
YTB.COM, a Delaware corporation; YTB
19 TRAVEL NETWORK, INC., a Delaware
corporation; YTB TRAVEL NETWORK OF
20 ILLINOIS, INC., an Illinois corporation; J.
LLOYD TOMER, an individual; J. SCOTT
21 TOMER, an individual; J. KIM SORENSEN,
an individual; ANDREW CAUTHEN, an
22 individual; YTB International, Inc., a Delaware
corporation; and DOES 2-100, INCLUSIVE,

23 Defendants.
24
25

Case No. BC395627

[The Honorable William F. Fahey, Dept. 78]

**STIPULATION FOR ENTRY OF FINAL
JUDGMENT AND PERMANENT
INJUNCTION**

Trial Date: September 21, 2009
Action Filed: August 4, 2008

26 Plaintiff, the People of the State of California, by and through Attorney General Edmund G.
27 Brown Jr. (Plaintiff), and Defendants YOURTRAVELBIZ.COM, INC., aka YTB.COM, a
28 Delaware corporation; YTB TRAVEL NETWORK, INC., a Delaware corporation; YTB

1 TRAVEL NETWORK OF ILLINOIS, INC., an Illinois corporation; YTB INTERNATIONAL,
2 INC., a Delaware corporation; JAMES LLOYD TOMER, an individual; JAMES SCOTT
3 TOMER, an individual; JAMES KIM SORENSEN, an individual; and ANDREW CAUTHEN,
4 an individual (collectively Defendants), stipulate as follows:

5 1. The Final Judgment and Permanent Injunction (Judgment), a copy of which is
6 attached as Exhibit A, may be entered in the above-entitled matter, and entry of the Judgment
7 may be ordered by a Judge of the Superior Court. Counsel for Plaintiff may submit the Stipulated
8 Judgment to any judge or commissioner of the Superior Court for approval and signature, during
9 the court's ex parte calendar or on any other ex parte basis. Defendants waive the right to notice
10 of any such ex parte submission of the Judgment to the court.

11 2. The Court has jurisdiction over the parties to and the subject matter of this lawsuit.

12 3. Each Defendant waives the right to appeal, to attempt to set aside or vacate or
13 otherwise attack, directly or collaterally, the Judgment upon its entry pursuant to this Stipulation,
14 except as provided in paragraph 27 of the Judgment.

15 4. Without waiving any attorney-client privilege as to the nature of any and all
16 communications, each Defendant acknowledges that it or he has been represented by legal
17 counsel throughout the negotiations which preceded the execution of this Stipulation, and that it
18 or he has executed this Stipulation with the consent and on the advice of such counsel.

19 5. Each Defendant agrees to be bound by the provisions of the Judgment as though then
20 and there ordered by the Court, that their signature on this Stipulation constitutes notice to each
21 Defendant and to the current officers of each corporate defendant of the Court's issuance and
22 entry of the Judgment and the contents thereof, and Defendants waive any further notice or
23 service of this Judgment.


24 6. This Judgment is a full and final settlement of all claims that were raised or could
25 have been raised in the Complaint, arising out of the facts or conduct specifically alleged therein.
26 By stipulating to the Judgment and agreeing to comply with its terms, the parties do not admit any
27 facts or conclusions of law. Nothing in this Stipulation or the Judgment shall be construed in this
28 or in any other proceeding as an admission by any of the parties of any fact, conclusion of law,

1 issue of law, or violation of law, nor shall compliance with the Judgment constitute or be
2 construed as an admission by any of the parties of any fact, conclusion of law, issue of law, or
3 violation of law. Nothing in the Judgment shall prejudice, waive or impair any right, remedy,
4 argument or defense the parties may have in any other or future legal proceedings.

5 7. The parties stipulate that the attached Judgment fully and completely contains all
6 of the agreements between the parties, that there are no other agreements and that the Judgment
7 supersedes any and all prior written or oral agreements and negotiations between the parties.

8
9
10 Dated: May 14, 2009

PEOPLE OF THE STATE OF CALIFORNIA, through
EDMUND G. BROWN, Attorney General of California

11
12 By: 
13 JAMES M. TOMA
14 Deputy Attorney General
Attorneys for Plaintiff

15 Dated: May 7, 2009

16 YOURTRAVELBIZ.COM, INC., aka YTB.COM, a
Delaware corporation, Defendant

17
18 By: 
19 JAMES SCOTT TOMER
Chief Executive Officer t

20 Dated: May 7, 2009

YTB TRAVEL NETWORK, INC., a Delaware
corporation, Defendant

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22 By: 
23 JAMES KIM SORENSEN
Its Chief Executive Officer

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Dated: May 7, 2009

YTB TRAVEL NETWORK OF ILLINOIS, INC., an Illinois corporation, Defendant

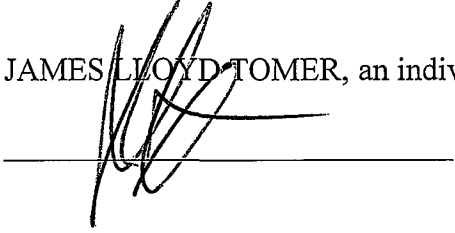
By: 
JAMES KIM SORENSEN
Its Chief Executive Officer

Dated: May 7, 2009

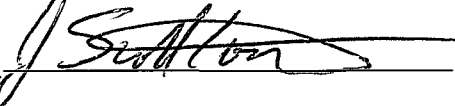
YTB International, Inc., a Delaware corporation, Defendant

By: 
JAMES SCOTT TOMER
Its Co-Chief Executive Officer


Dated: May 7, 2009

JAMES LLOYD TOMER, an individual, Defendant


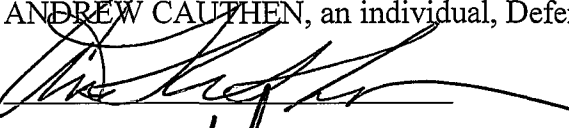
Dated: May 7, 2009

JAMES SCOTT TOMER, an individual, Defendant


Dated: May 7, 2009

JAMES KIM SORENSEN, an individual, Defendant


Dated: May 7, 2009

ANDREW CAUTHEN, an individual, Defendant


Dated: May 7, 2009

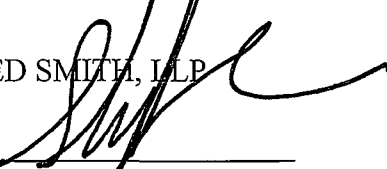
REED SMITH, LLP
By: 
Stuart A. Shanus
Attorneys for Defendants

EXHIBIT A

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF LOS ANGELES, CENTRAL DISTRICT

PEOPLE OF THE STATE OF CALIFORNIA,

Plaintiff,

v.

YOURTRAVELBIZ.COM, INC., aka YTB.COM, a Delaware corporation; YTB TRAVEL NETWORK, INC., a Delaware corporation; YTB TRAVEL NETWORK OF ILLINOIS, INC., an Illinois corporation; J. LLOYD TOMER, an individual; J. SCOTT TOMER, an individual; J. KIM SORENSEN, an individual; ANDREW CAUTHEN, an individual; YTB International, Inc., a Delaware corporation; and DOES 2-100, INCLUSIVE,

Defendants.

Case No. BC395627

[The Honorable William F. Fahey, Dept. 78]

[PROPOSED] FINAL JUDGMENT AND PERMANENT INJUNCTION

Trial Date:
Action Filed: August 4, 2008

Plaintiff, the People of the State of California, by and through Attorney General Edmund G. Brown Jr. (the People or Plaintiff), and Defendants YOURTRAVELBIZ.COM, INC., aka YTB.COM, a Delaware corporation; YTB TRAVEL NETWORK, INC., a Delaware corporation; YTB TRAVEL NETWORK OF ILLINOIS, INC., an Illinois corporation; YTB INTERNATIONAL, INC., a Delaware corporation; JAMES LLOYD TOMER, an individual;

1 JAMES SCOTT TOMER, an individual; JAMES KIM SORENSEN, an individual; and
2 ANDREW CAUTHEN, an individual (collectively Defendants), have stipulated to entry of this
3 Final Judgment and Permanent Injunction (Judgment).

4 Based on such stipulation and for good cause appearing,

5
6 **IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:**

7 1. This Court has jurisdiction over the parties to and the subject matter of this
8 lawsuit, venue in this Court is proper, and this Court has jurisdiction to enter this Judgment.

9 2. Pursuant to stipulation between the People and Defendants, this Judgment may be
10 entered without the taking of evidence, is not evidence of any wrongdoing or an admission by
11 any party regarding any issue of fact or law alleged in this action or an admission of liability by
12 any defendant, and all parties have waived their right to appeal.

13
14 **DESCRIPTION OF THE ACTION**

15 3. The People have alleged that Defendants have operated an unlawful endless chain
16 scheme (pyramid scheme), in violation of California Penal Code section 327, and that the alleged
17 scheme relies on untrue and misleading representations and unlawful, unfair, and fraudulent
18 business practices that include violations of laws regulating the sale of seller assisted marketing
19 plans, franchises, and travel discount plans. The People have further alleged that:

20 (a) Defendants' marketing scheme effectively requires participants to
21 purchase a website from Defendants and pay monthly fees for the opportunity to recruit others
22 and obtain compensation for such recruitment, in violation of Penal Code section 327;

23 (b) Defendants have provided misleading information about the income, costs,
24 lifestyle, and travel discounts associated with owning or recruiting others to purchase such a
25 website, in violation of California Business and Professions Code sections 17500, 17550.26, and
26 17550.27;

27 (c) Defendants have offered travel credentials and travel discounts to
28 participants who do not meet the requirements of the Travel Discount Business Program and the

1 Travel Discount Program, in violation of California Business & Professions Code sections
2 17550.26 and 17550.27, respectively;

3 (d) Defendants have operated an on-line travel agency franchise without
4 having registered as a franchise with the California Department of Corporations, in violation of
5 California Corporations Code Section 31005 et seq.; and

6 (e) Defendants' alleged conduct violates California Business & Professions
7 Code sections 17200 et seq. and 17500 et seq.

8 4. Defendants have denied all of the People's allegations and have denied any
9 wrongdoing.

10
11 **PERMANENT INJUNCTION**

12 5. The injunctive provisions of this Judgment and all references to Defendants in the
13 injunctive provisions of this Judgment shall apply to Defendants, their parent companies,
14 subsidiaries, affiliated organizations, officers, directors, partners, independent contractors,
15 employees, agents, representatives, heirs, assignees and successors in interest (including through
16 stock sale, merger, or sale of all or substantially all assets of any Defendant), all those acting in
17 concert or in participation with Defendants, and all persons, corporations, and other entities who
18 have actual or constructive notice of its provisions and act in concert or participation with them or
19 any of them.

20 6. In connection with the sale of any business opportunities to California residents,
21 including but not limited to the sale of websites to sell goods and services and the recruitment of
22 persons to sell such websites, the entities and individuals described in paragraph 5 of this
23 Judgment agree to be and are permanently enjoined and restrained from failing to comply with
24 the requirements set forth in paragraphs 8-13 of this Judgment, pursuant to California Business
25 and Professions Code sections 17203 and 17535.

26 7. Definitions.

27 (a) Website Owner. A person who purchases or owns a website from
28 Defendants through which he or she may refer for sale, offer for sale or sell travel or other goods

1 and services, is referred to in this Judgment as a Website Owner. Website Owner includes, but is
2 not limited to, any person who is or becomes a Referring Travel Agent, Affiliate, or Travel Agent
3 under Defendants' current business model and any person who is or becomes a franchisee under
4 Defendants' proposed business model.

5 (b) Website Seller. A person who sells the Website Owner opportunity,
6 recruits others to purchase the Website Owner opportunity, or recruits others to sell the Website
7 Owner opportunity is referred to in this Judgment as a Website Seller. Website Seller includes,
8 but is not limited to, any person who is or becomes an Independent Marketing Representative
9 (often referred to by Defendants as a Rep) under Defendants' current business model and any
10 person who is or becomes a franchise broker under Defendants' proposed business model.

11 8. Registration as a Franchise.

12 No later than 30 days from the entry of Judgment, Defendants shall seek the approval of
13 the California Department of Corporations (DOC) and shall make their best efforts to obtain
14 approval from DOC to sell franchises. Any additional conditions or restrictions that may be
15 required or imposed by the DOC for Defendants' operation of a franchise shall also be required of
16 or imposed on Defendants as part of this Judgment. If the DOC grants its approval for
17 Defendants to sell franchises in California, Defendants shall begin offering such franchises for
18 sale no later than 90 days from the date of DOC approval. Neither the decision by the DOC
19 regarding Defendants' application to sell franchises in California, nor the timing of that decision,
20 shall affect Defendants' obligations to comply with any of the provisions of this Judgment.

21 9. Requirements Related to Website Owners.

22 Defendants shall not offer persons the opportunity to become a Website Owner unless
23 Defendants comply with all of the following requirements:

24 (a) Defendants shall not require a Website Seller to be or become a Website
25 Owner, and shall not require a Website Owner to be or become a Website Seller;

26 (b) No Website Owner shall promote, market, offer, sell, or make any
27 representations regarding the Website Owner opportunity unless the Website Owner is also a
28 Website Seller;

1 (c) Effective June 1, 2009, the Website Owner opportunity shall be separate
2 and apart from the Website Seller opportunity and Defendants' marketing, promotion and
3 information regarding the opportunities shall be strictly separate. This requirement includes but
4 is not limited to: (i) information about the two opportunities shall not be provided in the same
5 presentation or meeting; and (ii) information about the two opportunities shall not be combined in
6 any brochure, flyer, advertisement, e-mail, internet advertisement, or any other writing promoting
7 either opportunity;

8 (d) There shall be no minimum length of time that a Website Owner is
9 required to remain a Website Owner. Defendants shall not create any barriers to cancellation of
10 participation in the Website Owner opportunity, and Defendants shall make cancellation easily
11 available by internet, fax, mail, and telephone;

12 (e) Defendants shall not create, maintain or offer any incentive, monetary or
13 otherwise, for a Website Seller to become a Website Owner. Defendants shall not create,
14 maintain or offer any incentive, monetary or otherwise, for a Website Owner to become a
15 Website Seller. Defendants shall not waive or reimburse any fees charged to a Website Owner
16 based on performance or sales as a Website Seller; and

17 (f) If and when Defendants receive approval to operate as a franchise, then
18 current Website Owners shall be given the opportunity to become a franchisee without paying an
19 additional fee.

20 10. Requirements Related to Website Sellers.

21 Defendants shall not offer persons the opportunity to become a Website Seller unless
22 Defendants comply with all of the following requirements:

23 (a) Defendants shall not require any Website Seller to be or become a Website
24 Owner;

25 (b) Effective June 1, 2009, Defendants shall market and promote the Website
26 Seller opportunity separate and apart from the Website Owner opportunity, and Defendants'
27 marketing, promotional, and informational materials shall not mix or combine the two
28 opportunities, as provided in paragraph 9(c) above;

1 (c) There shall be no fee to become a Website Seller, for any training or
2 certification or exam related to becoming or remaining a Website Seller, or for any aspect of
3 becoming or remaining a Website Seller;

4 (d) Effective June 1, 2009, Defendants shall provide a demonstration website
5 for all Website Sellers to use to market the Website Owner opportunity, and all Website Sellers
6 shall use the demonstration website and shall not use any other website to demonstrate the
7 Website Owner opportunity;

8 (e) Effective June 1, 2009, as part of a presentation or marketing to potential
9 Website Sellers, Website Sellers may use the demonstration website described in subparagraph
10 10(d), discuss its features and benefits, and describe the Website Owner opportunity, for the sole
11 purpose of educating potential website sellers about the Website Owner opportunity they may
12 offer for sale. Website Sellers shall not use any other website to demonstrate the Website Owner
13 opportunity. Website Sellers shall not offer to sell a website during any such presentation or
14 marketing and shall not represent or imply that a Website Seller must or should purchase a
15 website in order to be successful as a Website Seller or that the purchase of a website may be
16 used to help a Website Seller sell websites;

17 (f) Website Sellers' Compensation.

18 All of the provisions of this subparagraph 10(f) shall be effective June 1, 2009.

19 (1) Defendants shall not pay a Website Seller any compensation other
20 than a single \$50 flat fee for each website sold, payable only to the Website Seller who sold the
21 website, unless and until after the Website Seller has made three sales of the Website Owner
22 opportunity to persons who (i) remain active participants in the Website Owner opportunity, (ii)
23 are current on payment of all fees required by the Website Owner opportunity, and (iii) were not
24 and still are not also a Website Seller. However, in order for a Website Seller to qualify for
25 compensation other than a single \$50 flat fee for each website sold, the three persons who meet
26 the criteria specified in (i), (ii), and (iii) of this subparagraph need not be the original three
27 persons to whom a website was sold;

28 (2) Defendants may pay a Website Seller compensation based on the

1 Website Seller's Total Personal Sales Volume (the dollar amount paid to Defendants that month
2 as a result of the Website Seller's personal sales) only if the Website Seller has met the
3 requirements of subparagraph (f)(1), immediately above. Defendants shall not pay a Website
4 Seller the full amount of such compensation unless at least 60% of the Website Seller's Total
5 Personal Sales Volume is derived from Website Owners who are not also Website Sellers. If
6 more than 40% of a Website Seller's Total Personal Sales Volume is derived from Website
7 Owners who are also Website Sellers, the amount of such compensation Defendants may pay the
8 Website Seller shall be reduced so that the amount of such compensation derived from payments
9 by persons who are also Website Sellers does not exceed 40% of such compensation paid to the
10 Website Seller in any month;

11 (3) Defendants may pay a Website Seller compensation based on the
12 Website Seller's Total Downline Sales Volume (the dollar amount paid to Defendants that month
13 as a result of sales by persons whom a Website Seller has recruited, by persons recruited by those
14 persons' recruits, *etc.*) only if the Website Seller has met the requirements of subparagraph (f)(1)
15 above. Defendants shall not pay a Website Seller the full amount of such compensation unless at
16 least 60% of the Website Seller's Total Downline Sales Volume is derived from Website Owners
17 who are not also Website Sellers. If more than 40% of a Website Seller's Total Downline Sales
18 Volume is derived from Website Owners who are also Website Sellers, the amount of such
19 compensation Defendants may pay the Website Seller shall be reduced so that the amount of such
20 compensation derived from payments by persons who are also Website Sellers does not exceed
21 40% of such compensation paid to the Website Seller in any month; and

22 (4) Defendants shall not permit any changes to uplines (those who have
23 sponsored a Website Seller, sponsored the Website Seller's sponsor, *etc.*) or downlines (persons
24 who a Website Seller has recruited, persons recruited by the Website Seller's recruits, *etc.*) among
25 Website Sellers other than to eliminate Website Sellers or Website Owners who no longer
26 participate in any opportunity offered by Defendants.

27 11. Marketing and Representations.

28 Effective June 1, 2009, all of Defendants' marketing, promotional, and

1 informational communications, whether written or oral, including communications made through
2 the Internet, regarding Defendants or their business opportunities shall comply with all of the
3 following requirements:

4 (a) Defendants shall market separately the Website Owner opportunity and the
5 Website Seller opportunity. Consumers shall not be solicited for each opportunity unless they are
6 solicited separately for each opportunity, as provided in paragraph 9(c) above;

7 Income, Compensation and Lifestyle Representations

8 (b) Defendants shall not make any representations regarding Website Owner
9 income, compensation or lifestyle, including but not limited to potential income, potential
10 compensation, potential lifestyle, and pictures or representations of homes, vehicles, or leisure
11 activities explicitly or impliedly enjoyed by a Website Owner, unless at the same time the written
12 income disclosure statement specified in paragraph 11(d) in this Judgment is also provided in a
13 clear, conspicuous manner;

14 (c) Defendants shall not make any representations regarding Website Seller
15 income, compensation or lifestyle, including but not limited to potential income, potential
16 compensation, potential lifestyle, and pictures or representations of homes, vehicles, or leisure
17 activities explicitly or impliedly enjoyed by a Website Seller, unless at the same time the written
18 income disclosure statement specified in paragraph 11(e) in this Judgment is also provided in a
19 clear, conspicuous manner;

20 (d) Defendants shall provide the following written income disclosure
21 information in a clear, conspicuous manner (i) on the home page of Defendants' demonstration
22 website (described in subparagraph 10(d) above), (ii) on the home page of any website through
23 which a person may enroll as a Website Owner, and (iii) in no less than 12 point font in an easy-
24 to-read font and format to attendees at any presentation or meeting at which the Website Owner
25 opportunity is discussed:

26 (1) the number and percentage of Website Owners, in the prior quarter
27 and in the prior calendar year, who have not received any compensation based on being a Website
28 Owner;

1 (2) the median amount of compensation received by Website Owners
2 in the prior quarter and prior calendar year, based on being a Website Owner;

3 (3) typical costs incurred (including payments for websites, sales
4 presentations, training, materials, and other events Website Owners are encouraged to attend) by
5 Website Owners in the first 12 months, and annually, of being a Website Owner;

6 (4) the number and percentage of the Website Owners who were
7 paying the required Website Owner fee(s) at the beginning of the prior quarter who stopped
8 paying the required Website Owner fee(s) or were deactivated for any reason at any time during
9 the prior quarter; and

10 (5) the number and percentage of the Website Owners who were
11 paying the required Website Owner fee(s) at the beginning of the prior calendar year who stopped
12 paying the required Website Owner fee(s) or were deactivated for any reason at any time during
13 the prior calendar year;

14 (e) The following written income disclosure information shall be clearly and
15 conspicuously included on the home page of any website through which a person may enroll as a
16 Website Seller, and shall be given in no less than 12 point font in an easy-to-read format to
17 attendees at any presentation or meeting at which the Website Seller opportunity is discussed:

18 (1) the number and percentage of Website Sellers, in the prior quarter
19 and in the prior calendar year, who have not received any compensation based on being a Website
20 Seller;

21 (2) the median amount of compensation received by Website Sellers in
22 the prior quarter and the prior calendar year, based on being a Website Seller; and

23 (3) typical costs incurred (including payments for sales presentations,
24 sales materials, and events Defendants encourage Website Sellers to attend) by Website Sellers in
25 the first 12 months, and annually, of being a Website Seller;

26 (f) In subparagraphs 11(d) and 11(e), the prior quarter shall mean the most
27 recent calendar quarter that ended at least 60 days prior to the date the income disclosure
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1 statement is being provided, and the prior calendar year shall mean the most recent calendar year
2 that ended at least 30 days prior to the date the income disclosure statement is being provided;

3 (g) The Website Owner income disclosure statement specified in paragraph
4 11(d) of this Judgment shall be separate from the Website Seller income disclosure statement
5 specified in paragraph 11(e) of this Judgment, and the two shall not be combined;

6 Disclosures Prior to Purchase and Enrollment

7 (h) Effective July 1, 2009, at least 14 days prior to a person becoming
8 obligated to purchase a website or a person's purchase and enrollment as a Website Owner, and
9 also at any live or in-person presentation or meeting, and also conspicuously displayed and
10 required to be read on the home page of any website through which a consumer may purchase a
11 website and enroll as a Website Owner, Defendants shall provide clear, conspicuous, written
12 disclosure of all of the following information:

- 13 (1) No one can guarantee your success as a Website Owner;
- 14 (2) Not all Website Owners have earned commissions;
- 15 (3) A Website Owner is not required to become a Website Seller;
- 16 (4) An accurate description of how a Website Owner's commissions
17 are calculated, with concrete and representative examples using actual dollar figures;
- 18 (5) An accurate description of the time period, required trainings and
19 certifications, associated costs, and any other eligibility requirements associated with (i) receiving
20 any travel credentials, and (ii) before a new Website Owner can become eligible to represent that
21 he or she is a travel agent;
- 22 (6) Defendants shall not issue travel credentials to any Website Owner
23 located in California or who is a California resident;
- 24 (7) Unless and until Airlines Travel Agent Network, also known as
25 International Airlines Travel Association Network (collectively, IATAN), reinstates Defendants
26 as a member, Defendants may not state that a Website Owner can apply for travel credentials
27 provided by third parties unless they also clearly and conspicuously state that Defendants are not
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1 currently affiliated with IATAN and that purchasing a franchise or website from Defendants will
2 not entitle them to IATAN credentials; and

3 (8) The income disclosure information described in paragraph 11(d)
4 above;

5 (i) At any live or in-person presentation or meeting, and also conspicuously
6 displayed and required to be read on the home page of any website through which a consumer
7 may enroll as a Website Seller, Defendants shall provide clear, conspicuous, written disclosure of
8 all of the following information:

9 (1) No one can guarantee your success as a Website Seller;

10 (2) Not all Website Sellers have earned commissions or any other form
11 of compensation;

12 (3) A Website Seller does not have to be or become a Website Owner;

13 (4) An accurate description of how a Website Seller's commissions or
14 any other form of compensation are calculated, with concrete examples using actual dollar
15 figures;

16 (5) A statement that new Website Sellers may not have the same
17 likelihood of achieving the same results as those who came into the business earlier; and

18 (6) The income disclosure information described in paragraph 11(e)
19 above;

20 (j) The Website Owner disclosure statement specified in paragraph 11(h) of
21 this Judgment shall be separate from the Website Seller disclosure statement specified in
22 paragraph 11(i) of this Judgment, and the two shall not be combined;

23 Additional Provisions Regarding Representations Made By Defendants

24 (k) Defendants shall not advertise or promote the availability of travel
25 discounts as part of the Website Owner opportunity;

26 (l) Defendants shall not make any representations regarding examples of
27 travel discounts unless they also disclose all limitations on such travel and they maintain
28 documents to support any factual claims concerning such travel discounts;

1 (m) Defendants shall not state or imply that a Website Owner may take tax
2 deductions based on being a Website Owner or based on monies spent on personal travel.
3 Instead, Defendants may only state: "Website Owners should consult a tax advisor to determine
4 what, if any, tax deductions may apply to home based businesses" or words to that effect.
5 Defendants may not recommend, refer to, or provide the name or contact information for any
6 particular tax adviser to current or potential Website Owners or Website Sellers; and

7 (n) Defendants shall not state or imply that rates or costs available through
8 Defendants are the same as, or comparable to, other major travel booking websites, such as
9 Expedia or Orbitz, unless Defendants also state in a clear, conspicuous manner, that rates differ
10 and that Defendants' travel rates are not necessarily the same or cheaper than other travel
11 websites.

12 12. Defendants may not express or imply any criticism or disparagement or make any
13 false or misleading statements regarding either any disclosures provided pursuant to any
14 provision of this Judgment or their obligation to provide any such disclosure.

15 13. Defendants shall not issue any travel credentials to persons located in California or
16 who are California residents unless such persons meet the requirements of Business and
17 Professions Code section 17550.26, subdivision (b)(3) or in the then-current version of section
18 17550.26, subdivision (b)(3).

19
20 **MONITORING**

21 14. Paragraphs 14-19 shall remain in effect for the first 48 months following entry of
22 this Judgment.

23 15. Defendants shall provide written quarterly reports to Plaintiff as specified below,
24 in the format requested by Plaintiff, and shall provide such reports within 30 days following the
25 end of each calendar quarter. Defendants shall provide the first quarterly report on or before 30
26 days from entry of this Judgment. Each such quarterly report shall contain at least all of the
27 following information regarding California Website Owners and California Website Sellers, and
28 shall include the information separately for each month in the quarter:

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(a) Regarding Website Owners

- (1) the number of Website Owners;
- (2) the number of Website Owners who stopped paying the monthly website fee or otherwise deactivated their enrollment as a Website Owner;
- (3) the amount of compensation each Website Owner earned on the sale of travel and other goods and services; and
- (4) the amount of monies each Website Owner paid to Defendants in connection with being a Website Owner;

(b) Regarding Website Sellers

- (1) the number of Website Sellers and the number of those eligible to earn compensation beyond the flat fee of \$50 for each website sold;
- (2) the number of new Website Sellers and the number of those eligible to earn compensation beyond the flat fee of \$50 for each website sold;
- (3) the names of Website Sellers who voluntarily terminated their status as a Website Seller;
- (4) the names of Website Sellers who were terminated by Defendants as a Website Seller and the reason each was terminated;
- (5) the amount of flat fees, the amount of compensation based on Total Personal Sales Volume, and the amount of compensation based on Total Downline Sales Volume, Defendants paid to each Website Seller;
- (6) the number of persons in each Website Seller's downline;
- (7) the number of Website Sellers whose compensation was reduced because too many persons in their downline were Website Sellers; and
- (8) the total amount of monies each Website Seller paid to Defendants in connection with Defendants' business;

(c) Regarding Persons Who Are Both a Website Owner and a Website Seller

- (1) the number of persons who are both a Website Owner and a Website Seller;

- 1 (2) the amount of compensation each person received as a result of
2 being a Website Owner;
- 3 (3) the amount of compensation each person received as a result of
4 being a Website Seller;
- 5 (4) the amount of monies each person paid to Defendants in connection
6 with being a Website Owner; and
- 7 (5) the amount of monies each person paid to Defendants in connection
8 with being a Website Seller.

9 16. Defendants shall provide to Plaintiff, on a quarterly basis within 30 days following
10 the end of each calendar quarter, with the first set of documents to be provided on or before 30
11 days from entry of this Judgment, in the format requested by Plaintiff, copies of:

- 12 (a) all of their marketing, promotional and informational materials
13 disseminated to consumers, Website Owners and Website Sellers;
- 14 (b) samples of all agreements between Defendants and Website Owners; and
- 15 (c) samples of all agreements between Defendants and Website Sellers.

16 17. Effective upon entry of this Judgment, Defendants shall provide Plaintiff, at no
17 cost, access, including any necessary passwords or codes, to Defendants' sales, marketing,
18 marketing support, and other types of telephone conferences, internet conferences, websites,
19 blogs, and any other such conferences, meetings, publications, documents or internet postings that
20 it offers to Website Owners or to Website Sellers. Plaintiff's representatives shall be permitted
21 full access to all such marketing and promotional information, programs, and events without
22 notice to Defendants and without identifying themselves to Defendants. Defendants shall not
23 disclose or permit to be disclosed Plaintiff's access and if Defendants are aware of Plaintiff's
24 access or participation, Defendants shall not disclose or permit to be disclosed Plaintiff's access
25 or participation.

26 18. Effective upon entry of this Judgment, Defendants shall permit Plaintiff's
27 representatives full access to any marketing, promotional, or informational meeting or event held
28 by or on behalf of Defendants, without advance notice to Defendants and without identifying

1 themselves at such meeting as being a representative of Plaintiff. Defendants shall not disclose or
2 permit to be disclosed Plaintiff's request to attend or Plaintiff's access to such information,
3 meeting or event, nor shall Defendants disclose or permit to be disclosed Plaintiff's attendance at
4 any meeting or event.

5 19. Defendants shall provide to Plaintiff, within 30 days of receipt of a written request
6 from Plaintiff, all information requested for the purpose of enabling Plaintiff to determine
7 compliance with the provisions of this Judgment.

8
9 **MONETARY PROVISIONS**

10 20. Defendants shall jointly and severally pay to the People the sum of One Million
11 Dollars (\$1,000,000), pursuant to Business and Professions Code sections 17203, 17206, 17535
12 and 17536, as specified below. Payment shall be made by wire transfer pursuant to instructions
13 provided by the People or by cashier's checks made payable to the Office of the Attorney General
14 and shall be delivered to the attorneys for Plaintiff at the following address: Department of
15 Justice, Office of the Attorney General, 300 South Spring Street, Suite 1702, Los Angeles, CA
16 90013, Attn: Deputy Attorney General James M. Toma. Plaintiff shall deposit these funds in an
17 account and allocate and distribute the funds as specified in this Judgment.

18 (a) Payment of the One Million Dollars (\$1,000,000) shall be made as follows:

19 (1) Defendants shall pay Two Hundred Fifty Thousand Dollars
20 (\$250,000) no later than April 30, 2009;

21 (2) Defendants shall pay an additional Two Hundred Fifty Thousand
22 Dollars (\$250,000) no later than June 30, 2009;

23 (3) Defendants shall pay an additional Two Hundred Fifty Thousand
24 Dollars (\$250,000) no later than September 30, 2009; and

25 (4) Defendants shall pay an additional Two Hundred Fifty Thousand
26 Dollars (\$250,000) no later than December 30, 2009.

27 (b) Four Hundred Thousand (\$400,000) of this amount shall be for civil
28 penalties.

1 (c) Four Hundred Seventy Five Thousand (\$475,000) of this amount shall be
2 for partial payment of Plaintiff's attorneys' fees and costs related to the investigation and the
3 prosecution of this matter.

4 (d) One Hundred Twenty Five Thousand (\$125,000) of this amount shall be
5 for restitution. Plaintiff shall pay in restitution the amount of Five Hundred Dollars (\$500) to
6 each California consumer who, on or before April 30, 2009, filed a complaint with the Attorney
7 General regarding Defendants' business practices. However, restitution to each consumer shall
8 not exceed the amount paid by the consumer in connection with Defendants' businesses minus
9 any amounts already refunded or reimbursed by Defendants. After payment of restitution as set
10 forth in this paragraph, any remaining funds will be paid to the Attorney General as additional
11 costs to Plaintiff.

12
13 **ADDITIONAL PROVISIONS**

14 21. Defendants shall cooperate fully, and shall require that their parent companies,
15 subsidiaries, affiliated organizations, officers, directors, partners, independent contractors,
16 employees, agents, representatives, heirs, assignees and successors in interest (including through
17 stock sale, merger, or sale of all or substantially all assets of any Defendant) cooperate fully with
18 the Attorney General in any investigation concerning compliance with this Judgment.

19 22. The payments required pursuant to this Judgment are not dischargeable in
20 bankruptcy.

21 23. This Judgment fully and finally resolves only those matters specifically set forth
22 in the allegations of the Complaint filed in this action, for conduct which occurred prior to the
23 entry of this Judgment.

24 24. Nothing in this Judgment shall be construed as relieving Defendants of their
25 obligations to comply, or as prohibiting Defendants from complying, with all applicable local,
26 state and federal laws, regulations or rules. Nor shall any of the provisions of this Judgment be
27 deemed to be permission to engage in any acts or practices prohibited by any applicable law,
28 regulation or rule.

1 25. Any notices or communications required to be transmitted between the
2 Defendants and the Plaintiff pursuant to this Judgment shall be provided in writing by first class
3 mail, overnight delivery, personal delivery, or facsimile transmission to the parties or their
4 successors as follows:

5 To Plaintiff:

6 James M. Toma
7 Deputy Attorney General
8 300 S. Spring Street, Suite 1702
9 Los Angeles, CA 90013
10 Tel: (213) 897-2128
11 Fax: (213) 897-4951

12 To Defendants:

13 Stuart A. Shanus
14 Reed Smith, LLP
15 1901 Avenue of the Stars, Suite 700
16 Los Angeles, CA 90067
17 Tel: (310) 734-5240
18 Fax: (310) 734-5299

19 Any notices provided pursuant to the requirements of this Judgment shall be deemed given five
20 (5) business days after mailing by first class mail or one (1) business day after facsimile
21 transmission, overnight delivery, or personal delivery.

22 26. The terms and enforcement of this Judgment shall be governed by the laws of the
23 State of California, and venue shall be located in the Superior Court of California, County of Los
24 Angeles, Central District.

25 27. This court shall retain jurisdiction of this matter for the purpose of enabling any
26 party to this Judgment to apply to the court at any time for such further orders and directions as
27 are necessary or appropriate for the construction or carrying out of this Judgment, including for
28 the modification of any of its injunctive provisions, enforcement of any of its provisions, or
punishment for any violations of its provisions.

 28. In any action or motion brought by the Attorney General to enforce this judgment
in which the Attorney General obtains any or all of the relief sought, the Attorney General shall
be entitled to attorneys' fees and costs in addition to any other remedies provided by law.

1 29. This Judgment shall be binding and effective immediately upon entry by the clerk
2 of this Court, and the clerk is ordered to enter this Final Judgment and Permanent Injunction
3 forthwith.

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Dated: May ____, 2009

JUDGE OF THE SUPERIOR COURT

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