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CLERK, U.S. DISTRICT COURT  
OCT - 3 2006  
CENTRAL DISTRICT OF CALIFORNIA  
DEPUTY  
BY

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13 UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

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15 FEDERAL TRADE COMMISSION,

16 Plaintiff,

17 v.

18 WINDOW ROCK ENTERPRISES, INC.,  
19 also d/b/a WINDOW ROCK HEALTH  
LABORATORIES, also d/b/a  
20 CORTISLIM, INFINITY  
ADVERTISING, INC., STEPHEN F.  
21 CHENG, SHAWN M. TALBOTT, and  
GREGORY S. CYNAUMON,  
22 PINNACLE MARKETING CONCEPTS,  
INC., also d/b/a PMC HEALTH  
23 PRODUCTS, AND THOMAS F. CHENG

24 Defendants.

CIVIL NUMBER

CV-04-8190-DSF (JTLx)

STIPULATED FINAL  
AGREEMENT AND  
ORDER FOR  
PERMANENT  
INJUNCTION AND  
SETTLEMENT OF  
CLAIMS FOR  
MONETARY RELIEF  
AS TO DEFENDANT  
STEPHEN F. CHENG

**FAXED**

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26 The Federal Trade Commission ("Commission") filed a complaint,  
27 subsequently amended (as amended, "Complaint") pursuant to Section 13(b) of

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BY *BP* : 005

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1 the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 53(b), to secure  
2 permanent injunctive relief, restitution, disgorgement, and other equitable relief  
3 against the Defendants for their alleged deceptive acts or practices and false  
4 advertisements in connection with the advertising, promotion, and sale of an  
5 alleged weight-loss product, "CortiSlim," and an alleged stress-relief product,  
6 "CortiStress," in violation of Sections 5(a) and 12 of the FTC Act, 15 U.S.C. §§  
7 45(a) and 52.

8 The Commission and Defendant Stephen F. Cheng, without Stephen Cheng  
9 admitting or denying liability for any of the conduct alleged in the Complaint,  
10 have stipulated to entry of the following agreement for permanent injunction and  
11 settlement of claims for monetary relief in settlement of the Commission's  
12 Complaint against Stephen Cheng.

13 The Court, having been presented with this Stipulated Final Agreement and  
14 Order for Permanent Injunction and Settlement of Claims for Monetary Relief  
15 ("Order"), finds as follows:

16 **FINDINGS**

- 17 1. This Court has jurisdiction over the subject matter of this case, and
- 18 jurisdiction over all parties. Venue in the Central District of California is proper.
- 19 2. The Complaint states a claim upon which relief can be granted, and
- 20 the Commission has the authority to seek the relief which is stipulated to in this
- 21 Order.
- 22 3. The acts and practices of Stephen Cheng were and are in or affecting
- 23 commerce, as defined in Section 4 of the FTC Act, 15 U.S.C. § 44.
- 24 4. Stephen Cheng waives all rights to seek judicial review or otherwise
- 25 challenge or contest the validity of this Order. Stephen Cheng also waives any

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1 claim that he may have held under the Equal Access to Justice Act, 28 U.S.C.  
2 § 2412, concerning the prosecution of this action to the date of this Order.

3 5. Stephen Cheng has entered into this Order freely and without  
4 coercion.

5 6. The Commission and Stephen Cheng stipulate and agree to this  
6 Order, without trial or final adjudication of any issue of fact or law, to settle and  
7 resolve all matters in dispute between them arising from the Complaint up to the  
8 date of entry of this Order. By entering into this stipulation, Stephen Cheng does  
9 not admit or deny any of the allegations set forth in the Complaint, other than  
10 jurisdictional facts.

11 7. Pursuant to Federal Rule of Civil Procedure 65(d), the provisions of  
12 this Order are binding upon Stephen Cheng and all other persons or entities in  
13 active concert or participation with him who receive actual notice of this Order by  
14 personal service or otherwise.

15 8. Nothing in this Order obviates the obligation of Stephen Cheng to  
16 comply with Sections 5 and 12 of the FTC Act, 15 U.S.C. §§ 45 and 52.

17 9. This Order was drafted jointly by the Commission and Stephen Cheng  
18 and reflects the negotiated agreement of these parties.

19 10. The Commission's action against Stephen Cheng is an exercise of the  
20 Commission's police or regulatory power as a governmental unit.

21 11. The paragraphs of this Order shall be read as the necessary  
22 requirements for compliance and not as alternatives for compliance, and no  
23 paragraph serves to modify another paragraph unless expressly so stated.

24 12. This Order replaces, with regard to Stephen Cheng, the Stipulated  
25 Interim Agreement and Order lodged on September 30, 2004, and entered on  
26 October 7, 2004 ("Stipulated Interim Order").

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- 1 13. Each party shall bear its own costs and attorneys' fees.
- 2 14. Entry of this Order is in the public interest.

**DEFINITIONS**

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

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- 6 1. Unless otherwise specified,
  - 7 a. "Window Rock" shall mean Window Rock Enterprises, Inc.,
  - 8 also d/b/a Window Rock Health Laboratories, also d/b/a
  - 9 CortiSlim, and shall specifically include both the Debtor in the
  - 10 Window Rock Bankruptcy and any Reorganized Debtor that
  - 11 might emerge from the Window Rock Bankruptcy; and
  - 12 b. "Stephen Cheng" shall mean Stephen F. Cheng, individually
  - 13 and in his capacity as an officer and the sole interest holder of
  - 14 Window Rock.
- 15 2. "Advertising" and "promotion" shall mean any written or verbal
  - 16 statement, illustration or depiction designed to effect a sale or create interest in the
  - 17 purchasing of goods, whether it appears in a brochure, newspaper, magazine,
  - 18 pamphlet, leaflet, circular, mailer, book insert, free standing insert, letter,
  - 19 catalogue, poster, chart, billboard, public transit card, point of purchase display,
  - 20 packaging, package insert, label, film, slide, radio, television or cable television,
  - 21 audio program transmitted over a telephone system, program-length commercial
  - 22 ("infomercial"), the Internet, email, press release, video news release, or in any
  - 23 other medium.
- 24 3. "Assisting others" shall mean knowingly providing any of the
  - 25 following services to any person or entity engaged in conduct related to the subject
  - 26 matter of this Order, including the sale or marketing of a Target Product or a

1 Covered Product: (a) serving as an owner, partner, officer, director or manager of  
2 a business entity selling or marketing a Target Product or a Covered Product; or  
3 (b) formulating or providing, or arranging for the formulation or provision of, any  
4 Covered Product, any advertising for any Covered Product, or any marketing  
5 materials regarding any Covered Product.

6 4. "Commerce" shall mean as defined in Section 4 of the FTC Act, 15  
7 U.S.C. § 44.

8 5. "Competent and reliable scientific evidence" shall mean tests,  
9 analyses, research, studies, or other evidence based on the expertise of  
10 professionals in the relevant area that has been conducted and evaluated in an  
11 objective manner by persons qualified to do so, using procedures generally  
12 accepted in the professions to yield accurate and reliable results.

13 6. "CortiSlim" shall mean the dietary supplement CortiSlim and any  
14 other product that

15 a. contains one or more of the following ingredients present in  
16 current or previous formulations of CortiSlim: magnolia bark  
17 extract, beta-sitosterol, theanine, green tea leaf extract, bitter  
18 orange peel extract, Panax ginseng, banaba leaf extract,  
19 chromium, or vanadium; and

20 b. is marketed with claims that it has a weight effect or reduces or  
21 manages stress.

22 7. "CortiSlim Study" shall mean the study conducted by Defendant  
23 Talbott and others as reported, at least in part, under the title "Effect of a  
24 Stress/Cortisol-Control Dietary Supplement on Weight Loss," by Shawn Talbott,  
25 Ann-Marie Christopulos, and Jill Whelan, as well as all underlying data for such  
26 study.

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1 8. "CortiStress" shall mean the dietary supplement CortiStress and any  
2 other product that

3 a. contains one or more of the following ingredients present in  
4 current or previous formulations of CortiStress: magnolia bark  
5 extract, beta-sitosterol, or theanine; and

6 b. is marketed with claims that it has a weight effect, or reduces or  
7 manages stress, or prevents or treats any disease.

8 9. "Covered Product" shall mean any dietary supplement, food, drug,  
9 cosmetic, or device.

10 10. "Endorsement" shall mean as defined in 16 C.F.R. § 255.0(b).

11 11. "Food," "drug," "cosmetic," and "device" shall mean as defined in  
12 Section 15 of the FTC Act, 15 U.S.C. § 55.

13 12. "Commission" shall mean the Federal Trade Commission.

14 13. "Related Party" shall mean one or more of Window Rock, Pinnacle  
15 Marketing Concepts, Inc., also d/b/a PMC Health Products, Infinity Advertising,  
16 Inc. ("Infinity"), Thomas F. Cheng, Gregory S. Cynaumon, and Shawn M. Talbott,  
17 whether acting directly or through any corporation, partnership, subsidiary,  
18 division, trade name, or other entity, and their officers, agents, servants,  
19 employees, and all persons and entities in active concert or participation with  
20 them.

21 14. "Target Product" shall mean CortiSlim and CortiStress.

22 15. "Weight effect" shall mean any weight-related effect attributed to a  
23 food, drug, dietary supplement, product, device, or program and includes, but is  
24 not limited to, preventing weight gain or producing weight loss, reducing or  
25 eliminating fat, slimming, changing body composition, or causing a caloric deficit  
26 in a user of such food, drug, dietary supplement, product, device, or program.

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1           16. "Bankruptcy Code" shall mean Title 11 of the United States Code, as  
2 amended.

3           17. "Bankruptcy Court" shall mean the United States Bankruptcy Court  
4 for the Central District of California.

5           18. "District Court" shall mean the United States District Court for the  
6 Central District of California.

7           19. "Window Rock Bankruptcy" shall mean *In re Window Rock*  
8 *Enterprises, Inc.*, Case No. SA-05-50048-JR, currently pending in the Santa Ana  
9 Division of the Bankruptcy Court, and shall include any and all resolutions of that  
10 bankruptcy case that are consistent with the Bankruptcy Code, including but not  
11 limited to reorganization under Chapter 11, liquidation under Chapter 7, or  
12 dismissal, but shall not include any new or subsequent bankruptcy cases involving  
13 Window Rock.

14           20. "Window Rock Plan" shall mean any Chapter 11 plan of  
15 reorganization in the Window Rock Bankruptcy, including but not limited to  
16 "Debtor's Third Amended Chapter 11 Plan of Reorganization," dated June 30,  
17 2006, for which solicitation is currently under way and for which the Bankruptcy  
18 Court has scheduled a confirmation hearing.

19           21. "Rule 67 Order" shall mean a District Court order permitting Window  
20 Rock to disburse disputed funds from the Window Rock Bankruptcy to the District  
21 Court for deposit into an interest-bearing account under the direction and control  
22 of the District Court in accordance with Fed. R. Civ. P. 67 and L.R. 67-1 and 67-2,  
23 with such funds remaining on deposit with the District Court until the  
24 Commission's claims against Defendants Cynaumon and Infinity have been  
25 resolved by final order.

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1 22. A requirement that Stephen Cheng "notify," "furnish," "provide," or  
2 "submit" to the Commission shall mean that Stephen Cheng shall send the  
3 necessary information via **overnight courier**, costs prepaid, to:

4 Associate Director for Enforcement  
5 Federal Trade Commission  
6 600 Pennsylvania Avenue, N.W.  
7 Washington, DC 20580  
8 Attn: *FTC v. Window Rock Enterprises, Inc., et al.*, (C.D. Cal.),  
9 Civ. No. 04-8190-DSF (JTLx).

10 23. The terms "and" and "or" in this Order shall be construed  
11 conjunctively or disjunctively as necessary, to make the applicable sentence or  
12 phrase inclusive rather than exclusive.

13 24. The term "including" in this Order shall mean "including without  
14 limitation."

15 **IT IS STIPULATED, AGREED, AND ORDERED THAT:**

16 **I.**

17 **PROHIBITED REPRESENTATIONS REGARDING  
18 ANY TARGET PRODUCT**

19 A. Stephen Cheng, directly or through any corporation, partnership,  
20 subsidiary, division, trade name, or other entity, and all persons and entities in  
21 active concert or participation with him who receive actual notice of this Order by  
22 personal service, facsimile, or otherwise, in connection with the manufacturing,  
23 labeling, advertising, promotion, offering for sale, sale, or distribution of any  
24 Target Product, in or affecting commerce, are hereby permanently restrained and  
25 enjoined from making, or assisting others in making, directly or by implication,  
26 including through the use of endorsements or product names, any representation  
27 that any Target Product:



1. Reduces the risk of or prevents serious health conditions, including osteoporosis, obesity, diabetes, Alzheimer's disease, cancer, and cardiovascular disease;
2. Causes weight loss of 10 to 50 pounds or more for virtually all users;
3. Causes users to lose as much as 4 to 10 pounds per week over multiple weeks;
4. Causes users to lose weight specifically from the abdomen, stomach, and thighs;
5. Causes rapid and substantial weight loss;
6. Causes long-term or permanent weight loss;
7. Causes weight loss without the need for diet or exercise; or
8. Has been demonstrated effective, is supported by, or is otherwise the product of over 15 years of scientific research.

B. Stephen Cheng, directly or through any corporation, partnership, subsidiary, division, trade name, or other entity, and all persons and entities in active concert or participation with him who receive actual notice of this Order by personal service, facsimile, or otherwise, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any Target Product, in or affecting commerce, are hereby permanently restrained and enjoined from making, or from assisting others in making, directly or by implication, including through the use of endorsements or product names, any other representation about the performance or efficacy of any Target Product unless the representation is true and non-misleading, and, at the time it is made, Stephen Cheng possesses and relies upon competent and reliable scientific evidence that substantiates the representation.

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**II.**

**PROHIBITED REPRESENTATIONS REGARDING ANY COVERED PRODUCT**

Stephen Cheng, directly or through any corporation, partnership, subsidiary, division, trade name, or other entity, and all persons and entities in active concert or participation with him who receive actual notice of this Order by personal service, facsimile, or otherwise, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any Covered Product, in or affecting commerce, are hereby permanently restrained and enjoined from making, or assisting others in making, directly or by implication, including through the use of endorsements or product names, any representation about the weight effect, other health benefits, performance, or efficacy of any Covered Product unless the representation is true and non-misleading, and, at the time it is made, Stephen Cheng possesses and relies upon competent and reliable scientific evidence that substantiates the representation.

**III.**

**PROHIBITED REPRESENTATIONS REGARDING TESTS AND STUDIES**

Stephen Cheng, directly or through any corporation, partnership, subsidiary, division, trade name, or other entity, and all persons and entities in active concert or participation with him who receive actual notice of this Order by personal service, facsimile, or otherwise, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any Covered Product, in or affecting commerce, are hereby permanently restrained and enjoined from making or assisting others in making, directly or by implication, including through the use of endorsements or product names, any misrepresentation about

1 the existence, contents, validity, results, conclusions, or interpretations of any test  
2 or study including, but not limited to, the CortiSlim Study.

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4 **IV.**

5 **FORMATTING AND DISCLOSURES FOR BROADCAST MEDIA**

6 Stephen Cheng, directly or through any corporation, partnership, subsidiary,  
7 division, trade name, or other entity, and all persons and entities in active concert  
8 or participation with him who receive actual notice of this Order by personal  
9 service, facsimile, or otherwise, in connection with the labeling, advertising,  
10 promotion, offering for sale, sale, or distribution of any product, program, or  
11 service, in or affecting commerce, are hereby permanently restrained and enjoined  
12 from creating or producing or assisting others in creating or producing:

13 A. Any advertisement that misrepresents, expressly or by implication,  
14 that it is not a paid advertisement;

15 B. Any television commercial or other video advertisement fifteen (15)  
16 minutes in length or longer or intended to fill a broadcasting or cablecasting time  
17 slot of fifteen (15) minutes in length or longer that does not display visually in the  
18 same language as the predominant language that is used in the advertisement, in a  
19 clear and prominent manner, and for a length of time sufficient for an ordinary  
20 consumer to read and comprehend it, within the first thirty (30) seconds of the  
21 commercial and either immediately before each presentation of ordering  
22 instructions for the product, program, or service or periodically through the  
23 program, but no more than approximately seven (7) minutes apart, the following  
24 disclosure:

25 "YOU ARE WATCHING A PAID ADVERTISEMENT FOR [THE  
26 PRODUCT, PROGRAM, OR SERVICE]."  
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1 *Provided that*, for the purposes of this provision, the oral or visual presentation of  
2 a telephone number or address through which viewers may obtain more  
3 information or place an order for the product, program, or service shall be deemed  
4 a presentation of ordering instructions so as to require the display of the disclosure  
5 provided herein; and

6 C. Any radio commercial or other radio advertisement five (5) minutes  
7 in length or longer or intended to fill a time slot of five (5) minutes in length or  
8 longer that does not state in the same language as the predominant language that is  
9 used in the advertisement, in a clear and prominent manner, and in a volume and  
10 cadence sufficient for an ordinary consumer to hear and comprehend it, within the  
11 first thirty (30) seconds of the commercial and immediately before each  
12 presentation of ordering instructions for the product, program, or service, the  
13 following disclosure:

14 "YOU ARE LISTENING TO A PAID ADVERTISEMENT FOR  
15 [THE PRODUCT, PROGRAM, OR SERVICE]."

16 *Provided that*, for the purposes of this provision, the presentation of a telephone  
17 number or address through which listeners may obtain more information or place  
18 an order for the product, program, or service shall be deemed a presentation of  
19 ordering instructions so as to require the stating of the disclosure provided herein.

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1 V.

2 **FDA-APPROVED CLAIMS**

3 Nothing in this Order shall prohibit Stephen Cheng from making any  
4 representation:

5 A. For any product that is specifically permitted in labeling for such  
6 product by regulations promulgated by the Food and Drug Administration  
7 pursuant to the Nutrition Labeling and Education Act of 1990;

8 B. For any drug that is permitted in labeling for such drug under any  
9 tentative final or final standard promulgated by the Food and Drug Administration,  
10 or under any new drug application approved by the Food and Drug  
11 Administration; or

12 C. For any medical device that is permitted in labeling of such medical  
13 device under any medical device-specific regulation promulgated by the Food and  
14 Drug Administration, under any Federal Food, Drug and Cosmetic Act Section  
15 510(k) premarket notification substantial equivalence determination by the Food  
16 and Drug Administration, or under any premarket approval application approved  
17 by the Food and Drug Administration.

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19 VI.

20 **MONETARY JUDGMENT AND CONSUMER REDRESS**

21 Judgment for equitable monetary relief is hereby entered against Stephen  
22 Cheng in the amount of thirty million dollars (\$30,000,000). *Provided however,*  
23 that this judgment shall be suspended and, subject to the provisions of Part VII,  
24 shall be deemed to be fully satisfied upon completion of the requirements in  
25 paragraphs A, B, C, F, and G of this Part, below:

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1 A. . Transfer, in accordance with this Part, of one million one hundred  
2 thousand dollars (\$1,100,000) cash (“Settlement Payment”), which is currently  
3 being held in escrow by undersigned counsel for Stephen Cheng and which shall  
4 remain in escrow and shall not be disbursed, transferred, or otherwise expended  
5 except in accordance with this Part. The Settlement Payment shall be released  
6 from the escrow and transferred to the Commission by electronic funds transfer no  
7 later than sixty (60) days after the date of entry of this Order and in accordance  
8 with directions provided by the Commission.

9 1. *Provided, however,* that at any time before sixty (60) days after  
10 the date of entry of this Order, Stephen Cheng may instead  
11 release and transfer some or all of the Settlement Payment from  
12 the escrow to the estate in the Window Rock Bankruptcy for  
13 disbursement in accordance with the terms of the Window  
14 Rock Plan if all seven of the following conditions exist:

- 15 a. A final settlement agreement between the Commission  
16 and Defendant Window Rock Enterprises, Inc. has been  
17 approved by the Commission and entered by this Court  
18 (“Window Rock Settlement Order”); and
- 19 b. The Window Rock Plan is confirmed by the Bankruptcy  
20 Court; and
- 21 c. The Window Rock Plan provides the Commission with  
22 an allowed general, non-priority unsecured claim in the  
23 Window Rock Bankruptcy in the amount of one hundred  
24 sixty million dollars (\$160,000,000); and
- 25 d. The Window Rock Plan provides that the Settlement  
26 Payment will be used solely for distribution to allowed

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general, non-priority unsecured claimants, including the Commission, and that no portion of the Settlement Payment will be retained by Window Rock or returned to Stephen Cheng; and

e. The Window Rock Plan provides that the Commission will receive its initial distribution by electronic funds transfer as soon as practicable after the Effective Date, but in no event more than 10 business days after the Effective Date; and

f. The Window Rock Plan provides that any funds used to resolve the claims of Defendants Infinity and Cynaumon will only be disbursed in accordance with the Rule 67 Order; and

g. The Window Rock Plan provides that no more than one million dollars (\$1,000,000) shall be disbursed for costs, fees, and expenses relating to settling the private class action case *Toni Breedlove et al. v. Window Rock Enterprises, Inc. et al.*, Case No. 04-CC-00610, in the Superior Court of the State of California, County of Orange ("Breedlove Class Action"); and

2. *Provided, further, that*

a. If less than the full amount of the Settlement Payment is released from the escrow for transfer to the estate in the Window Rock Bankruptcy for distribution in accordance with the terms of the Window Rock Plan, the remaining amount shall immediately be transferred to the

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Commission by electronic funds transfer; and

b. If any amount of the Settlement Payment that is released from the escrow and transferred to the estate in the Window Rock Bankruptcy for disbursement in accordance with the terms of the Window Rock Plan is not distributed in accordance with paragraph VI.A.1.d (“Non-Conforming Distribution”), cash in an amount equal to the Non-Conforming Distribution shall be transferred by or on behalf of Stephen Cheng to the Commission by electronic funds transfer.

B. Transfer to the Federal Trade Commission of the Net Contribution to an investment partnership and related charitable foundations, which were established by or on behalf of Stephen Cheng with assets derived from the marketing or sale of CortiSlim and CortiStress, as described more fully in the financial disclosures identified in Part VII, below, which were provided separately to the Commission, which are made a part of this Order by reference, and which shall be deemed to be confidential and shall be disclosed only as necessary for enforcement purposes. For purposes of this Part, “Net Contribution” shall mean all proceeds from the contributions to the investment partnership and related charitable foundation that remain after payment of federal and state taxes, federal and state penalties, and other costs (but excluding costs and professional fees paid to any of the entities and individuals involved in establishing, maintaining, or managing the investment partnership and charitable foundation) directly associated with revoking the contributions, unwinding the business transactions, dissolving the entities, or taking other similar steps necessary to recover the contributions. *Provided, however,* that all such taxes, penalties, and costs shall be



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1 subject to review, audit, and challenge by the Commission. Any such Net  
2 Contributions shall not be disbursed, transferred, or otherwise expended except in  
3 accordance with this Part. Any such Net Contributions shall be transferred to the  
4 Federal Trade Commission by electronic funds transfer no more than one hundred  
5 and eighty (180) days after the date of entry of this Order and in accordance with  
6 directions provided by the Commission.

7 1. *Provided, however,* that at any time before one hundred and  
8 eighty (180) days after the date of entry of this Order, Stephen  
9 Cheng may, at his sole risk and with the knowledge that doing  
10 so may potentially subject him to the imposition of additional  
11 taxes, penalties, and other claims by federal and state  
12 authorities, choose to release and transfer some or all of the Net  
13 Contribution to the estate in the Window Rock Bankruptcy for  
14 disbursement in accordance with the terms of a Window Rock  
15 Plan if all seven of the conditions in paragraphs VI.A.1.a-g,  
16 above, exist; and

17 2. *Provided, further,* that  
18 a. If any amount of the Net Contribution that is released  
19 and transferred to the estate in the Window Rock  
20 Bankruptcy is not distributed in accordance with  
21 paragraph VI.A.1.d (“Non-Conforming Distribution”),  
22 cash in an amount equal to the Non-Conforming  
23 Distribution shall be transferred by or on behalf of  
24 Stephen Cheng to the Commission by electronic funds  
25 transfer; and  
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b. If some or all of the Net Contribution that is released and transferred to the estate in the Window Rock Bankruptcy is based on the estimated rather than actual amounts of the federal and state taxes, federal and state penalties, and other costs (but excluding costs and professional fees paid to any of the entities and individuals that were involved in establishing, maintaining, or managing the investment partnership and charitable foundation) directly associated with revoking the contributions, unwinding the business transactions, dissolving the entities, or taking other similar steps necessary to recover the contributions, the risk of an incorrect estimate shall rest solely with Stephen Cheng and he shall have no right to recover funds or seek other recourse from Window Rock, the Commission, or any other entities to whom those funds may have been distributed in accordance with the Window Rock Plan; and

c. If, after the final determination and payment of the federal and state taxes, federal and state penalties, and other costs (but excluding costs and professional fees paid to any of the entities and individuals that were involved in establishing, maintaining, or managing the investment partnership and charitable foundation) directly associated with revoking the contributions, unwinding the business transactions, dissolving the entities, or taking other similar steps necessary to recover

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1 the contributions, Stephen Cheng has any remaining Net  
2 Contribution, that amount shall be transferred to the  
3 Federal Trade Commission by electronic funds transfer.

4 C. Stephen Cheng hereby assigns to the Federal Trade Commission,  
5 without any encumbrances, all rights and claims to money or other assets owed to  
6 him as of the date of entry of this Order by a Related Party, and of the right to  
7 pursue any chose in action to recover any such money or assets owed to him by a  
8 Related Party, under the terms of any agreement, oral or written, including but not  
9 limited to the Joint Venture Agreement entered into on June 10, 2003 by and  
10 between Defendants Talbott and Window Rock, the Joint Venture Agreement  
11 entered into on June 21, 2003 by and between Defendants Window Rock and  
12 Cynaumon, and the purported non-written agreement by and between Defendants  
13 Window Rock and Pinnacle.

14 1. *Provided, however,* that this assignment shall not include any  
15 rights, claims, assets, and rights to pursue any chose in action  
16 that are settled, extinguished, or otherwise resolved by final  
17 order in the Window Rock Bankruptcy; and

18 2. *Provided, further,* that this assignment shall include any claims  
19 that might be asserted by Stephen Cheng against past, present,  
20 or future insurance policies held by or on behalf of Window  
21 Rock with regard to conduct occurring on or before the date of  
22 entry of this Order, with the exception of claims for  
23 professional fees and claimant recoveries, if any, arising from  
24 claim 861-000903 against Stephen Cheng in connection with  
25 his coverage under directors and officers liability insurance  
26 policy 493-42-95. Except to the extent necessary to resolve the  
27 specific claims at issue in claim 861-000903, directors and  
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1 officers insurance liability policy 492-42-95 shall not otherwise  
2 provide fees, recoveries, or other benefits to Window Rock or  
3 Stephen Cheng.

4 D. If any Related Party assigns to the Commission rights of recovery and  
5 claims to money or other assets purportedly owed to it as of the date of entry of  
6 this Order by Stephen Cheng, the Commission shall not exercise any such rights  
7 and claims in a manner that would allow it to recover additional funds from  
8 Stephen Cheng; *provided however*, that this paragraph D shall cease to apply upon  
9 occurrence of any of the events described under Part VII.

10 E. All funds paid to the Commission pursuant to this Order shall be  
11 deposited into an account administered by the Commission or its agent to be used  
12 for equitable relief, including but not limited to consumer redress for nationwide  
13 sales of CortiSlim and CortiStress from the time those products were first  
14 advertised up to and including May 31, 2006 and any attendant expenses for the  
15 administration of such equitable relief. In the event that direct redress to  
16 consumers is wholly or partially impracticable or funds remain after redress is  
17 completed, the Commission may apply any remaining funds for such other  
18 equitable relief (including consumer information remedies) as it determines to be  
19 reasonably related to Defendants' practices alleged in the Complaint. Any funds  
20 not used for such equitable relief shall be deposited to the United States Treasury  
21 as disgorgement. Stephen Cheng shall have no right to challenge the  
22 Commission's choice of remedies under this Part. Stephen Cheng shall have no  
23 right to contest the manner of distribution chosen by the Commission. No portion  
24 of any payments under the judgment herein shall be deemed a payment of any fine,  
25 penalty, or punitive assessment;

26 F. Stephen Cheng relinquishes all dominion, control and title to the  
27 funds paid into the account established pursuant to this Order, and all legal and  
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1 equitable title to the funds shall vest in the Treasurer of the United States unless  
2 and until such funds are disbursed to consumers. Stephen Cheng shall make no  
3 claim to or demand for the return of the funds, directly or indirectly, through  
4 counsel or otherwise, and in the event of a subsequent bankruptcy filing by  
5 Stephen Cheng, he acknowledges that the funds are not part of his bankruptcy  
6 estate and that his bankruptcy estate does not have any claim or interest therein;  
7 and

8 G. Stephen Cheng shall provide to the Commission a sworn statement  
9 setting forth i) the amount of 2003, 2004, and 2005 state and federal taxes, if any,  
10 he paid on or before the day this agreement was signed; ii) the amount of 2005 and  
11 2006 estimated state and federal tax payments, if any, he paid on or before the day  
12 this agreement was signed; and iii) a statement of the date(s) on which each tax  
13 payment to a state or federal tax authority was made. All 2003, 2004, and 2005  
14 tax payments and any 2006 estimated tax payments that are reported to the  
15 Commission as being owed by him to a state or federal tax authority must be paid  
16 in full either i) no later than sixty (60) days from the date of entry of this Order; or  
17 ii) in accordance with the Bankruptcy Code, if Stephen Cheng files a petition for  
18 relief or any creditors file a petition for relief against Stephen Cheng under the  
19 Bankruptcy Code. The financial information and documents referenced in this  
20 paragraph G shall be designated as confidential.

21  
22 **VII.**

23 **RIGHT TO REOPEN**

24 A. By agreeing to this Order, Stephen Cheng reaffirms and attests to the  
25 truthfulness, accuracy, and completeness of the financial information that he has  
26 previously submitted to the Commission. The Commission's agreement to this  
27 Order is expressly premised upon the truthfulness, accuracy, and completeness of  
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1 the financial statements and other information that Stephen Cheng submitted to the  
2 Commission. The financial and other information provided to the Commission by  
3 or on behalf of Stephen Cheng is identified in a document signed by him and  
4 entitled "**Financial and Other Information Provided to the Commission,**"  
5 which has been provided separately to the Commission, and which, together with  
6 the materials identified therein, is incorporated into this Part and made a part of  
7 this Order by reference and is deemed to be confidential and shall be disclosed  
8 only as necessary for enforcement purposes. The parties stipulate that the  
9 financial and other information provided in the materials listed in the document  
10 entitled "Financial and Other Information Provided to the Commission" were  
11 material to the Commission's negotiation of and agreement to the terms of this  
12 Order and to the Commission's agreement to suspend the remaining amount of the  
13 monetary judgment. If, upon motion by the Commission, this Court finds that  
14 Stephen Cheng failed to disclose any material asset, or materially misrepresented  
15 the value of any asset, or made any other material misrepresentation in or omission  
16 from any of the materials listed in "Financial and Other Information Provided to  
17 the Commission," the Court shall reinstate the suspended judgment in Part VI,  
18 above, in the amount of thirty million dollars (\$30,000,000), less any amount  
19 already paid to the Commission by or on behalf of Stephen Cheng or any Related  
20 Party;

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1. *Provided, however,* that in all other respects this Order shall remain in full force and effect unless otherwise ordered by the Court; and
2. *Provided, further,* that proceedings instituted under this Part would be in addition to, and not in lieu of, any other civil or criminal remedies as may be provided by law, including any

SCANNED

1 other proceedings that the Commission may initiate to enforce  
2 this Order.

3 B. Solely for purposes of this Part, Stephen Cheng waives any right to  
4 contest any of the allegations in the Complaint and agrees that the facts as alleged  
5 in the Complaint shall be taken as true, without further proof, in any subsequent  
6 litigation filed by or on behalf of the Commission to enforce its rights pursuant to  
7 this Part. Except for the amount of the judgment, the financial information and  
8 documents referenced in this Part shall be designated as confidential.

9 C. In agreeing to this Order, the Commission has specifically relied on  
10 the representations that Stephen Cheng has made regarding the amount of federal  
11 and state taxes, if any, he has paid or will pay for tax years 2003, 2004, and 2005,  
12 and the amount of estimated federal and state taxes, if any, that he has paid toward  
13 estimated taxes for tax years 2005 and 2006, including but not limited to  
14 representations in the documents referenced in paragraph VI.G, above, and in the  
15 documents listed in paragraph A of this Part. Except as provided in paragraphs  
16 VII.D.1 and 2, below, it shall be a violation of this Part for Stephen Cheng to seek  
17 any refund or tax deduction for his payment of the Settlement Payment described  
18 in paragraph VI.A, above, or the Net Contribution described in paragraph VI.B,  
19 above.

20 D. In agreeing to this Order, the Commission has specifically relied on  
21 the representations that Stephen Cheng has made regarding the amount of federal  
22 and state taxes, if any, he has paid or will pay for tax years 2003, 2004, and 2005,  
23 and the amount of estimated federal and state taxes, if any, that he has paid toward  
24 estimated taxes for tax year 2006, including but not limited to representations in  
25 the documents referenced in paragraph VI.G, above, and in the documents listed in  
26 paragraph A of this Part. Except as provided in paragraphs VII.D.1 and 2, below,  
27 it shall be a violation of this Part for Stephen Cheng to carry back net operating  
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1 losses from tax years 2005 and 2006 and apply them to tax years 2003 and 2004.  
2 There are no restrictions or limitations on Stephen Cheng's ability to carry forward  
3 net operating losses. All federal and state tax returns and amended returns  
4 involving tax years 2003, 2004, 2005, and 2006 must be prepared and signed by a  
5 third-party independent CPA accounting firm, and a copy of any and all such  
6 returns and amended returns, complete with all attachments, must be provided to  
7 the Commission at the time they are submitted to the state or federal tax authority.

8 1. It shall not be a violation of this Part for Stephen Cheng to carry back  
9 any net operating loss from tax year 2005 and apply it to tax years  
10 2003 and 2004. *Provided, however,* that any tax refund or other tax  
11 benefit resulting from carrying back any net operating loss from tax  
12 year 2005 must first be used to pay all outstanding federal and state  
13 taxes owed by Stephen Cheng and Window Rock for tax years 2003,  
14 2004, and 2005. *Provided, further,* that, to the extent the 2005 net  
15 operating loss exceeds two million dollars (\$2,000,000), cash in an  
16 amount equal to the tax refund or other tax benefit that results from  
17 carrying back the portion of the 2005 net operating loss that exceeds  
18 two million dollars (\$2,000,000) shall be transferred by or on behalf  
19 of Stephen Cheng and Window Rock to the Commission by  
20 electronic funds transfer within thirty (30) days of seeking such  
21 refund or other cash benefit based on carry back of the 2005 net  
22 operating loss.

23 2. It shall not be a violation of this Part for Stephen Cheng to carry back  
24 any net operating loss from tax year 2006 and apply it to tax year  
25 2004 for the limited purpose of satisfying his obligations with regard  
26 to funding the Creditor Trust in accordance with the terms of the  
27 Creditor Trust Agreement and Window Rock Plan in the event that  
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Window Rock commits a material breach of its obligation to retail creditors. *Provided, however,* that cash in an amount equal to the tax refund or other tax benefit that exceeds the amount necessary to satisfy Stephen Cheng's Creditor Trust obligations shall be transferred by or on behalf of Stephen Cheng and Window Rock to the Commission by electronic funds transfer within thirty (30) days of seeking such refund or other cash benefit based on carry back of the 2006 net operating loss.

**VIII.**

**ACKNOWLEDGMENT OF RECEIPT OF ORDER**

Within five (5) business days after receipt of this Order as entered by the Court, Stephen Cheng shall submit to the Commission a truthful sworn statement acknowledging receipt of this Order, using the form shown at Attachment A.

**IX.**

**DISTRIBUTION OF ORDER**

For a period of three (3) years from the date of entry of this Order, Stephen Cheng shall deliver a copy of this Order as directed below:

A. Stephen Cheng as Control Person: For each business that is controlled, directly or indirectly, by Stephen Cheng, and for each business in which he has a majority ownership interest, Stephen Cheng must deliver a copy of this Order to all principals, officers, directors, and managers and also to all supervisory employees, agents, and representatives of each such business who engage in conduct related to the subject matter of this Order. For current personnel, delivery shall be within ten (10) business days of entry of this Order. For new personnel, delivery shall occur prior to their assuming their position or

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1 responsibilities.

2 B. Stephen Cheng Not as Control Person: For each business that is not  
3 controlled, directly or indirectly, by Stephen Cheng, he must deliver a copy of this  
4 Order to all principals and managers of each such business before engaging in  
5 conduct related to the subject matter of this Order. For current personnel, delivery  
6 shall be within ten (10) business days of entry of this Order. For new personnel,  
7 delivery shall occur prior to their assuming their position or responsibilities.

8 C. Stephen Cheng shall create, maintain, and update as necessary a  
9 declaration identifying the dates, names, titles, addresses, and telephone numbers  
10 of the persons and entities that he has provided with a copy of this Order as  
11 required by this Part; and

12 D. Stephen Cheng shall maintain, for a period of three (3) years from the  
13 date of entry of this Order, and upon reasonable notice make available to the  
14 Commission, a signed declaration regarding distribution of copies of this Order as  
15 required by this Part.

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17 X.

18 **NOTICE REGARDING MEDIA PLACEMENT**

19 Stephen Cheng, alone or in conjunction with Window Rock, shall:

20 A. Send, as soon as practicable but in no event later than thirty (30) days  
21 after entry of this Order, by first-class mail, postage prepaid and return receipt  
22 requested, an exact copy of the notice attached hereto as Attachment B, showing  
23 the date of mailing, to each media placement company, broadcasting company,  
24 and other entity or individual that Window Rock used to place television, radio,  
25 print, or on-line advertisements, for any Target Product between September 30,  
26 2004, and the date of entry of this Order. This mailing shall not include any other  
27 document or enclosures;

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1           B. Notify, immediately, each media placement company, broadcasting  
2 company, or other entity or individual that Window Rock used to place television,  
3 radio, print, or on-line advertisements for any Target Product between September  
4 30, 2004, and the date of entry of this Order that Stephen Cheng will stop doing  
5 business with that media placement company, broadcasting company, or other  
6 entity or individual in connection with any Target Product in the event that  
7 Stephen Cheng becomes aware that the media placement company, broadcasting  
8 company, or other entity or individual is using or disseminating any advertisement  
9 or promotional material that contains any representation prohibited by this Order  
10 subsequent to receipt of the notice required by paragraph A of this Part, if that  
11 media placement company, broadcasting company, or other entity or individual  
12 fails to take prompt corrective action, if it continues to use any advertisement or  
13 promotional material that contains any representation prohibited by this Order, or  
14 if it engages in conduct prohibited by this Part on more than two separate  
15 occasions; and

16           C. Terminate all placements for any Target Product with any media  
17 placement company, broadcasting company, or other entity or individual that  
18 Window Rock used to place television, radio print, or on-line advertisements for  
19 any Target Product between September 30, 2004, and the date of entry of this  
20 Order within ten (10) days after Stephen Cheng becomes aware that the media  
21 placement company, broadcasting company, or other entity or individual has failed  
22 to take prompt corrective action, has continued to use any advertisement or  
23 promotional material that contains any representation prohibited by this Order, or  
24 has engaged in conduct prohibited by this Part on two separate occasions.

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**XI.**

**NOTICE TO RETAILERS, DISTRIBUTORS, AND RESELLERS**

Stephen Cheng, alone or in conjunction with Window Rock, shall:

A. Send, as soon as practicable but in no event later than thirty (30) days after entry of this Order, by first-class mail, postage prepaid and return receipt requested, an exact copy of the notice attached hereto as Attachment C, showing the date of mailing, to each retailer, distributor, and reseller who purchased any Target Product from Window Rock between September 30, 2004, and the date of entry of this Order. This mailing shall not include any other document or enclosures;

B. Notify, immediately, each retailer, distributor, and reseller that Stephen Cheng will stop doing business with that retailer, distributor, or reseller in connection with any Target Product in the event that Stephen Cheng becomes aware that the retailer, distributor, or reseller is using or disseminating any advertisement or promotional material that contains any representation prohibited by this Order subsequent to receipt of the notice required by paragraph A of this Part, if that retailer, marketer, or reseller fails to take prompt corrective action, if it continues to use any advertisement or promotional material that contains any representation prohibited by this Order, or if it engages in conduct prohibited by this Part on more than two separate occasions; and

C. Terminate all shipments of any Target Product to any retailer, distributor, or reseller within thirty (30) days after Stephen Cheng becomes aware that the retailer, distributor, or reseller has failed to take prompt corrective action, has continued to use any advertisement or promotional material that contains any representation prohibited by this Order, or has engaged in conduct prohibited by this Part on more than two separate occasions.

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**XII.**

**COMPLIANCE MONITORING**

For the purpose of monitoring compliance with any provision of this Order,

A. Within thirty (30) days of receipt of written notice from a representative of the Commission, Stephen Cheng shall submit additional written reports, sworn to under penalty of perjury; produce documents for inspection and copying; appear for deposition; and/or provide entry during normal business hours to any business location in his possession or direct or indirect control to inspect the business operation. Copies of any such notice shall also be provided by the Commission to the undersigned counsel representing Stephen Cheng or to any other counsel whose identity has been furnished to the Commission;

B. The Commission is authorized to monitor Stephen Cheng's compliance with this Order by all other lawful means, including but not limited to the following:

1. obtaining discovery from any person, without further leave of court, using the procedures prescribed by Federal Rules of Civil Procedure 30, 31, 33, 34, 36, and 45; and
2. posing as consumers, marketers, manufacturers, suppliers, wholesalers, retailers, distributors, or other product-related entities to Stephen Cheng, Stephen Cheng's employees, or any other entity managed or controlled in whole or in part by Stephen Cheng without the necessity of identification or prior notice; and

C. Stephen Cheng, upon fourteen (14) days notice, shall permit representatives of the Commission to interview any officer, director, employee, employer, consultant, independent contractor, representative, or agent of any entity managed or controlled in whole or in part by Stephen Cheng who has agreed

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1 to such an interview, relating in any way to any conduct subject to this Order. The  
2 person interviewed may have counsel present.

3 *Provided however*, that nothing in this Order shall limit the Commission's  
4 lawful use of compulsory process, pursuant to Sections 9 and 20 of the FTC Act,  
5 15 U.S.C. §§ 49, 57b-1, to obtain any documentary material, tangible things,  
6 testimony, or information relevant to unfair or deceptive acts or practices in or  
7 affecting commerce (within the meaning of 15 U.S.C. § 45(a)(1)).

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**XIII.**

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**COMPLIANCE REPORTING**

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In order that compliance with the provisions of this Order may be  
12 monitored:

13

A. Stephen Cheng, within ten (10) business days of service of this Order,  
14 shall provide the Commission, in writing, with the following information:

15

1. his residence address and mailing address;
- 16 2. his home telephone number;
- 17 3. the name, address, and telephone number of his employer(s);
- 18 4. if applicable, the names of his supervisor(s);
- 19 5. a description of each employer's activities; and
- 20 6. a description of his duties and responsibilities for each  
21 employer;

22

B. For a period of three (3) years from the date of entry of this Order,  
23 Stephen Cheng shall notify the Commission of the following:

24

- 25 1. Any changes in his residence, mailing addresses, and telephone  
26 numbers, within ten (10) days of the date of such change;
- 27 2. Any changes in his employment status (including self-  
28 employment), any change in his ownership in any business

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1                   entity, and any change in the corporate structure of any  
2                   business entity in which he has an ownership interest that may  
3                   affect compliance obligations arising under this Order, within  
4                   ten (10) days of the date of such change. Such notice shall  
5                   include the name and address of each business that he is  
6                   affiliated with, employed by, creates or forms, or performs  
7                   services for; a statement of the nature of the business; and a  
8                   statement of his duties and responsibilities in connection with  
9                   the business; and

10                3.     Any changes in his name or use of any aliases or fictitious  
11                names.

12                C.     Ninety (90) days after the date of entry of this Order, Stephen Cheng  
13 shall provide a written report to the Commission, sworn to under penalty of  
14 perjury, setting forth in detail the manner and form in which he has complied and  
15 is complying with this Order. This report shall include, but not be limited to any  
16 changes required to be reported pursuant to paragraph B of this Part; a copy of the  
17 signed declaration regarding distribution of copies of this Order as required by  
18 paragraph IX.D; and, for any Covered Product, a copy of all advertising and  
19 promotional materials in use at any point from the date of entry of the Order until  
20 submission of the written report required by this paragraph;

21                D.     Stephen Cheng shall, within 10 business days of his submitting it to  
22 federal or state tax authorities, provide to the Commission complete copies of  
23 i) each federal and state tax return for tax years 2005 and 2006; ii) each  
24 amendment to his federal or state tax returns for tax years 2003, 2004, and 2005,  
25 together with a declaration accompanying each such submission that he is aware  
26 of no additional amended returns for that tax year other than those that have  
27 previously been submitted to the Commission; and iii) any other submission by  
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1 which he seeks a cash refund or other tax benefit from federal or state tax  
2 authorities with regard to taxes previously paid.

3 E. For purposes of the compliance reporting and monitoring required by  
4 this Order, the Commission is authorized to communicate directly with Stephen  
5 Cheng, with contemporaneous notice to undersigned counsel or to any other  
6 counsel whose identity has been furnished to the Commission; and

7 E. The information and documents referenced in paragraphs A, B, and D  
8 of this Part shall be designated as confidential information.

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#### XIV.

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#### RECORD-KEEPING PROVISIONS

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For a period of five (5) years from the date of entry of this Order, Stephen Cheng and those persons in active concert or participation with him who receive actual notice of this Order by personal service or otherwise, if engaging or assisting others engaged in the advertising, marketing, promotion, offering for sale, distribution or sale of any Covered Product, in or affecting commerce, and any business where (1) he is a majority owner or an officer or director of the business, or directly or indirectly manages or controls the business and (2) the business is engaged, participating, or assisting in any manner whatsoever, directly or indirectly, in the advertising, marketing, promotion, offering for sale, distribution or sale of any Covered Product, in or affecting commerce, are hereby permanently restrained and enjoined from failing to create and retain the following records:

A. Accounting records that reflect the cost of goods or services sold, revenues generated, and the disbursement of such revenues;

B. Personnel records accurately reflecting: the name, address, and telephone number of each person employed in any supervisory capacity by such

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1 business, including as an independent contractor; that person's job title or  
2 position; the date upon which the person commenced work; and the date and  
3 reason for the person's termination, if applicable;

4 C. Customer files containing the names, addresses, telephone numbers,  
5 dollar amounts paid, quantity of items purchased, and description of items  
6 purchased, to the extent such information is obtained in the ordinary course of  
7 business;

8 D. Complaints and refund requests (whether received directly, indirectly  
9 or through any third party), and any response to those complaints or requests;

10 E. Copies of all advertisements, promotional materials, sales scripts,  
11 training materials, or other marketing materials utilized in the advertising,  
12 marketing, promotion, offering for sale, distribution or sale of any Covered  
13 Product, to the extent such information is prepared in the ordinary course of  
14 business;

15 F. All documents evidencing or referring to the accuracy of any claim or  
16 representation contained in the materials identified in paragraph E of this Part, or  
17 to the efficacy of any Covered Product, including, but not limited to, all tests,  
18 reports, studies, and demonstrations, as well as all evidence that confirms,  
19 contradicts, qualifies, was relied upon in making, or calls into question the  
20 accuracy of such claims;

21 G. Records accurately reflecting the name, address, and telephone  
22 number of each manufacturer or laboratory engaged in the development or  
23 creation of any testing obtained for the purpose of advertising, marketing,  
24 promoting, offering for sale, distributing, or selling any Covered Product; and

25 H. All records and documents necessary to demonstrate full compliance  
26 with each provision of this Order, including but not limited to copies of  
27 acknowledgments of receipt of this Order, required by Part VIII, and all reports  
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1 submitted to the Commission pursuant to Part XIII.

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**XV.**

**COOPERATION WITH COMMISSION COUNSEL**

Stephen Cheng must in connection with this action or any subsequent investigations related to or associated with the transactions or the occurrences that are the subject of the Complaint, cooperate in good faith with the Commission and appear or cause his officers, employees, representatives, or agents to appear at such places and times as the Commission shall reasonably request, after written notice to Stephen Cheng and to undersigned counsel or to any other counsel whose identity has been furnished to the Commission, for interviews, conferences, pretrial discovery, review of documents, and for such other matters as may be reasonably requested by the Commission. If requested in writing by the Commission, Stephen Cheng shall appear or cause his officers, employees, representatives, or agents to appear and provide truthful testimony in any trial, deposition, or other proceeding related to or associated with the transactions or the occurrences that are the subject of the Complaint, without the service of a subpoena.

**XVI.**

**RETENTION OF JURISDICTION**

This Court shall retain jurisdiction over Stephen Cheng for purposes of

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1 construction, modification, and enforcement of this Order and for issues relating to  
2 the Complaint and to non-settling Defendants.

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IT IS SO ORDERED, this 32 day of October, 2006.

*Dale S. Fischer*  
UNITED STATES DISTRICT JUDGE

**SO STIPULATED:**

DALE S. FISCHER

**APPROVED AS TO  
FORM AND CONTENT:**

*Peter B. Miller*  
PETER B. MILLER  
CHRISTINE J. LEE (CBN 211462)  
Federal Trade Commission  
600 Pennsylvania Ave. NW,  
Room NJ-3212  
Washington, DC 20580  
(202) 326-2629 (Miller)  
(202) 326-2095 (Lee)  
(202) 326-3259 (fax)

ROBERT ULLMAN  
MARC S. ULLMAN  
Ullman, Shapiro & Ullman, LLP  
299 Broadway, Suite 1700  
New York, NY 10007  
(also by PDF)

- and -

JOHN D. JACOBS (CBN 134154)  
Federal Trade Commission  
10877 Wilshire Boulevard, Suite 700  
Los Angeles, CA 90024  
(310) 824-4360 (voice)  
(310) 824-4380 (fax)

BRUCE R. CORBETT (CBN 45072)  
Corbett, Steelman & Specter  
18200 Von Karman Ave., Suite 900  
Irvine, California 92612-1023

- and -

ATTORNEYS FOR PLAINTIFF

PENELOPE PARMES (CBN 104774)  
Rutan & Tucker LLP  
611 Anton Blvd., #1400  
Costa Mesa, CA 92626

STEPHEN F. CHENG,  
Individually, and in his capacity as an  
officer and the sole interest holder of  
Window Rock Enterprises, Inc., also  
d/b/a Window Rock Health  
Laboratories, also d/b/a CortiSlim

ATTORNEYS FOR  
STEPHEN F. CHENG

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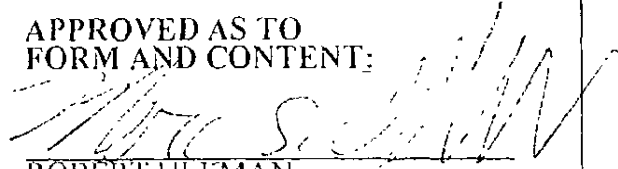
construction, modification, and enforcement of this Order and for issues relating to the Complaint and to non-settling Defendants.

IT IS SO ORDERED, this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

UNITED STATES DISTRICT JUDGE

SO STIPULATED:

APPROVED AS TO FORM AND CONTENT:



PETER B. MILLER  
CHRISTINE J. LEE (CBN 211462)  
Federal Trade Commission  
600 Pennsylvania Ave. NW,  
Room NJ-3212  
Washington, DC 20580  
(202) 326-2629 (Miller)  
(202) 326-2095 (Lee)  
(202) 326-3259 (fax)

ROBERT ULLMAN  
MARC S. ULLMAN  
Ullman, Shapiro & Ullman, LLP  
299 Broadway, Suite 1700  
New York, NY 10007  
(also by PDF)

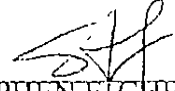
- and -

JOHN D. JACOBS (CBN 134154)  
Federal Trade Commission  
10877 Wilshire Boulevard, Suite 700  
Los Angeles, CA 90024  
(310) 824-4360 (voice)  
(310) 824-4380 (fax)

BRUCE R. CORBETT (CBN 45072)  
Corbett, Steelman & Specter  
18200 Von Karman Ave., Suite 900  
Irvine, California 92612-1023

- and -

ATTORNEYS FOR PLAINTIFF

  
STEPHEN F. CHENG,  
Individually, and in his capacity as an officer and the sole interest holder of Window Rock Enterprises, Inc., also d/b/a Window Rock Health Laboratories, also d/b/a CortiSlim

PENELOPE PARMES (CBN 104774)  
Rutan & Tucker LLP  
611 Anton Blvd., #1400  
Costa Mesa, CA 92626

ATTORNEYS FOR  
STEPHEN F. CHENG

SCANNED

1 construction, modification, and enforcement of this Order and for issues relating to  
2 the Complaint and to non-settling Defendants.

3  
4 **IT IS SO ORDERED**, this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

5  
6 UNITED STATES DISTRICT JUDGE

7  
8 **SO STIPULATED:**

9 **APPROVED AS TO  
FORM AND CONTENT:**

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12 CHRISTINE J. LEE (CBN 211462)  
13 Federal Trade Commission  
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16 Washington, DC 20580  
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\_\_\_\_\_  
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23 299 Broadway, Suite 1700  
24 New York, NY 10007  
(also by PDF)

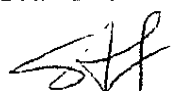
– and –

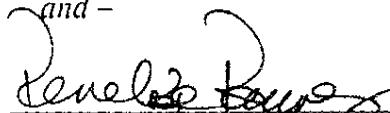
25 JOHN D. JACOBS (CBN 134154)  
26 Federal Trade Commission  
27 10877 Wilshire Boulevard, Suite 700  
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and –

ATTORNEYS FOR PLAINTIFF

29   
30 \_\_\_\_\_  
31 STEPHEN F. CHENG,  
32 Individually, and in his capacity as an  
33 officer and the sole interest holder of  
34 Window Rock Enterprises, Inc., also  
35 d/b/a Window Rock Health  
36 Laboratories, also d/b/a CortuSlim

  
37 \_\_\_\_\_  
38 PENELOPE PARMES (CBN 104774)  
39 Rutan & Tucker LLP  
40 611 Anton Blvd., #1400  
41 Costa Mesa, CA 92626

ATTORNEYS FOR  
STEPHEN F. CHENG

SCANNED

ATTACHMENT A

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

WINDOW ROCK ENTERPRISES, INC.,  
also d/b/a WINDOW ROCK HEALTH  
LABORATORIES, also d/b/a  
CORTISLIM, INFINITY  
ADVERTISING, INC., STEPHEN F.  
CHENG, SHAWN M. TALBOTT,  
GREGORY S. CYNAUMON,  
PINNACLE MARKETING CONCEPTS,  
INC., AND THOMAS F. CHENG

Defendants.

CIVIL NUMBER

CV-04-8190-DSF (JTLx)

DECLARATION OF  
DEFENDANT  
STEPHEN CHENG  
UNDER 28 U.S.C. § 1746

Stephen Cheng declares as follows:

1. My name is Stephen Cheng. My current residence is

\_\_\_\_\_. I am a citizen of the United States and am over the age of  
eighteen. I have personal knowledge of the facts set forth in this Declaration.

2. I am an individual defendant in the above-captioned case, *FTC v.  
Window Rock Enterprises, Inc. et al.*

3. On [DATE], I received, individually and in my capacity as an officer  
of Window Rock, a copy of the Stipulated Final Agreement and Order for  
Permanent Injunction and Settlement of Claims for Monetary Relief as to

///

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1 Defendant Stephen F. Cheng, which was entered by the Court on [DATE]  
2 (“Order”). A true and correct copy of the Order is attached to this Declaration.

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

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6 Executed on [DATE].

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STEPHEN CHENG

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**ATTACHMENT B**

**(To be printed on Window Rock's Letterhead if done jointly)**

BY FIRST CLASS MAIL, RETURN RECEIPT REQUESTED

[DATE]

Dear [name of media placement company, broadcasting company, or other entity or individual used to place television, radio, print, or on-line advertisements for CortiSlim between September 30, 2004, and the date of entry of Order]:

Our records indicate that you placed one or more television, radio, print, or on-line advertisements for CortiSlim at the request of or on behalf of Window Rock Enterprises, Inc. ("Window Rock") between September 30, 2004, and [date of entry of Order].

This letter is to inform you that Window Rock and Stephen Cheng recently settled a civil dispute with the Federal Trade Commission relating to their role in marketing CortiSlim and CortiStress. Among other things, we have agreed to notify all media placement company, broadcasting company, or other entities or individuals that we used to place television, radio, print, or on-line advertisements for CortiSlim between September 30, 2004, and [date of entry of Order] of the settlement.

In its complaint, the Federal Trade Commission alleged that 1) advertisements for CortiSlim made the following false or unsubstantiated claims:

- a) CortiSlim causes weight loss of 10 to 50 pounds or more for virtually all users;
- b) CortiSlim causes users to lose as much as 4 to 10 pounds per week over multiple weeks;
- c) CortiSlim causes users to lose weight specifically from the abdomen, stomach, and thighs;
- d) CortiSlim causes rapid and substantial weight loss;
- e) CortiSlim causes long-term or permanent weight loss;
- f) The efficacy of CortiSlim and all its ingredients is demonstrated by over 15 years of scientific research; and

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g) CortiSlim causes weight loss;  
and 2) that advertisements for CortiStress made false or unsubstantiated claims that taking the recommended daily dosage of CortiStress will reduce the risk of or prevent conditions such as osteoporosis, obesity, diabetes, Alzheimers' disease, cancer, and cardiovascular disease.

Window Rock and Stephen Cheng deny the Federal Trade Commission's allegations and do not admit to any wrongdoing or violation of law. Nonetheless, in order to resolve this matter, we have entered into a final settlement order with the Federal Trade Commission under which we have agreed not to make the challenged claims for CortiSlim and CortiStress and to make only those claims that can be substantiated with competent and reliable scientific evidence for CortiSlim, CortiStress, and other Window Rock products.

Accordingly, Window Rock and Stephen Cheng therefore request that all media placement companies, broadcasting companies, or other entities or individuals that we used to place television, radio, print, or on-line advertisements for CortiSlim between September 30, 2004, and [date of entry of Order] refrain from using or disseminating any advertisements or promotional materials that contain any representations regarding CortiSlim or other Window Rock products that are prohibited by the final settlement order. If you fail to do so, we will no longer be able to do business with you.

This letter has been provided for your files. If you have any questions or if you want a copy of the final settlement order between Window Rock, Stephen Cheng, and the Federal Trade Commission, please contact [insert name and telephone number of designated contact at Window Rock].

\_\_\_\_\_  
Stephen F. Cheng,  
Individually,  
and as an officer and sole interest holder of Window Rock Enterprises, Inc.

[if done jointly with Window Rock, add signature line from Window Rock Att. B]

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**ATTACHMENT C**  
**(To be printed on Window Rock's Letterhead, if done jointly)**

BY FIRST CLASS MAIL, RETURN RECEIPT REQUESTED

[DATE]

Dear [name of retailer/distributor/reseller who purchased CortiSlim from Window Rock between September 30, 2004, and the date of entry of Order]:

Our records indicate that you purchased CortiSlim from Window Rock Enterprises, Inc. ("Window Rock") between September 30, 2004, and [date of entry of Order].

This letter is to inform you that Window Rock and Stephen Cheng recently settled a civil dispute with the Federal Trade Commission relating to their role in marketing CortiSlim and CortiStress. Among other things, we have agreed to notify all retailers, distributors, and resellers who purchased CortiSlim from Window Rock between September 30, 2004, and [date of entry of Order] of the settlement.

In its complaint, the Federal Trade Commission alleged that 1) advertisements for CortiSlim made the following false or unsubstantiated claims:

- a) CortiSlim causes weight loss of 10 to 50 pounds or more for virtually all users;
- b) CortiSlim causes users to lose as much as 4 to 10 pounds per week over multiple weeks;
- c) CortiSlim causes users to lose weight specifically from the abdomen, stomach, and thighs;
- d) CortiSlim causes rapid and substantial weight loss;
- e) CortiSlim causes long-term or permanent weight loss;
- f) The efficacy of CortiSlim and all its ingredients is demonstrated by over 15 years of scientific research; and
- g) CortiSlim causes weight loss;

and 2) that advertisements for CortiStress made false or unsubstantiated claims that taking the recommended daily dosage of CortiStress will reduce the risk of or

SCANNED

1 prevent conditions such as osteoporosis, obesity, diabetes, Alzheimers' disease,  
2 cancer, and cardiovascular disease.

3 Window Rock and Stephen Cheng deny the Federal Trade Commission's  
4 allegations and do not admit to any wrongdoing or violation of law. Nonetheless,  
5 in order to resolve this matter, we have entered into a final settlement order with  
6 the Federal Trade Commission under which we have agreed not to make the  
7 challenged claims for CortiSlim and CortiStress and to make only those claims  
8 that can be substantiated with competent and reliable scientific evidence for  
CortiSlim, CortiStress, and other Window Rock products.

9 Accordingly, Window Rock and Stephen Cheng therefore request that all  
10 retailers, distributors, and resellers refrain from using or disseminating any  
11 advertisements or promotional materials that contain any representations regarding  
12 CortiSlim or other Window Rock products that are prohibited by the final  
13 settlement order. If you fail to do so, we will no longer be able to do business with  
you.

14 This letter has been provided for your files. If you have any questions or if  
15 you want a copy of the final settlement order between Window Rock, Stephen  
16 Cheng, and the Federal Trade Commission, please contact [insert name and  
17 telephone number of designated contact at Window Rock].

18  
19 \_\_\_\_\_  
Stephen F. Cheng  
20 Individually,  
and as an officer and sole interest holder of Window Rock Enterprises, Inc.  
21 [if done jointly with Window Rock, add signature line from Window Rock Att. C]  
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