

IN THE DISTRICT COURT OF SHAWNEE COUNTY, KANSAS
DIVISION 6

FILED BY CLERK
K.S. DISTRICT COURT
THIRD JUDICIAL DIST.
TOPEKA, KS.

2005 MAY 16 P 2: 56

STATE OF KANSAS, ex rel.,)
PHIL KLINE, Attorney General,)
)
Plaintiff,)
)
v.)
)
STEAKHOUSE QUALITY)
MEATS, INC., d/b/a STEAKHOUSE)
MEATS, REEM KHASHOU,)
RODNEY CREIGHTON,)
and CLAYTON SIMPSON,)
)
Defendants.)

Case No. 03 C 702

JOURNAL ENTRY OF CONSENT JUDGMENT

NOW on this 16th day of May, 2005, comes before the Court the Journal Entry of Consent Judgment entered into between the parties, pursuant to K.S.A. 50-632(b). Plaintiff, State of Kansas, ex rel. Phill Kline, Attorney General, appears by and through James R. McCabria, Assistant Attorney General. Defendants Steakhouse Quality Meats, Inc., Reem Khashou and Rodney Creighton appear by and through their attorney, Robert S. Caldwell. There are no other appearances.

WHEREUPON, the Parties advise the Court they have stipulated and agree to the following matters:

1. Phill Kline is the Attorney General of the State of Kansas.
2. The Attorney General's authority to bring this action is derived from statutory and common law of Kansas, specifically, the Kansas Consumer Protection Act, K.S.A. 50-623, et seq

3. Defendant Steakhouse Quality Meats, Inc. d/b/a Steakhouse Meats ("Steakhouse") is a Missouri corporation with its principal place of business being located at 1638 N. Corrington, Kansas City, Missouri 64120. Defendant Reem Khashou was at all relevant times a director/officer or a former director/officer of Steakhouse. Defendant Khashou has represented to Plaintiff that she is no longer engaged in the operations of Steakhouse and has entered into a separate Consent Judgment with Plaintiff that resolves all allegations raised against her by the Petition in this action.

Defendant Rodney Creighton ("Creighton") is now serving as a director/officer of Steakhouse, and was at all relevant times alleged in the Petition an agent or employee of Steakhouse. Defendant Clayton Simpson has been dismissed by separate order.

4. The nature of Steakhouse's business is the sale of meat products to agents that, in turn, and on behalf of Steakhouse, engage in the business of selling and soliciting door-to-door to the residences of consumers for the purpose of selling the same meat products. By virtue of such conduct Defendant Steakhouse was at all relevant times a supplier within the definition of K.S.A. 50-624(j). During all relevant times alleged in the Petition, Steakhouse, through its agents, engaged in consumer transactions in Kansas within the definition of K.S.A. 50-624(c). For purposes of this Consent Judgment, and any attempt to enforce this Consent Judgment in the future, Defendant Creighton stipulates that he shall be deemed a supplier within the definition of K.S.A. 50-624(j).

5. Steakhouse and Creighton admit that this Court has personal and subject matter jurisdiction over all matters and over their person.

6. During the time frame from October 1998 to October 2004, agents of Steakhouse engaged in "door to door" sales within this State within the meaning of K.S.A. 50-640(c)(1) on behalf of Steakhouse.

7. In soliciting and consummating certain of the consumer transactions identified in Paragraph 6, the Attorney General alleges that Steakhouse violated the Kansas Consumer Protection Act in the following manner:

- a) K.S.A. 50-640(b)(1) - Steakhouse failed to present to consumers at the time of sale a receipt which sets out the statutorily mandated language.
- b) K.S.A. 50-640(b)(2) and/or (b)(3) - Steakhouse failed to furnish to consumers at the time of sale a separate Notice of Cancellation which has been fully completed in conformity with the statute.
- c) K.S.A. 50-640(b)(5) - Steakhouse failed to inform consumers orally, at the time of purchase, of the consumer's three-day right to cancel.
- d) K.S.A. 50-903(b)(4) - The product labels and sales brochures used by Steakhouse fail to represent the price per pound of its products in that they frequently include prices that are stated only in terms of price per unit or some other measure that is not price per single pound and/or the actual sale price is different from that stated on the label or in the brochure presented to the consumer.

8. In directing and managing the Steakhouse agents who Creighton knew or should have known were engaged in door to door sales within Kansas, the Attorney General alleges Creighton violated the KCPA and/or the prior Consent Judgment by directing Steakhouse to knowingly transact business with agents whom he knew were

operating in violation of the prior Consent Judgment and/or the KCPA. Further the Attorney General alleges that Creighton knew or should have known that the meat labels and/or brochures being provided to consumers did not comply with KSA 50-903(b)(4).

9. Defendants deny the allegations asserted by the Attorney General and Steakhouse and Creighton agree to this Consent Judgment as a means of resolving this matter without trial or adjudication of any issue of fact or law and without a finding of any violations on the part of Steakhouse or Creighton. While denying any violations, Defendants agree to refrain from any of the conduct alleged by the Attorney General in paragraphs 7 and 8. In consideration thereof, Plaintiff has agreed to this Consent Judgment and moves to dismiss any and all other claims of violations of the Act as of the date of this Consent Judgment as against Steakhouse or Creighton.

10. In further consideration of the entry of this Consent Judgment, Steakhouse and Creighton agree to be permanently enjoined from conducting any business in Kansas, either directly or through agents, that involves door-to-door solicitations or sales as defined by K.S.A. 50-640(c)(1) except and unless the following acts occur:

- a) Defendants shall provide any agent of Steakhouse that engages in door-to-door sales in the State of Kansas with the documents necessary to fully comply with the requirements of K.S.A 50-640. Upon request, Steakhouse shall provide the Attorney General with signed acknowledgments from any of its agents which shall evidence receipt of such documents by such agent prior to engaging in any sales within the State of Kansas. For purposes of compliance with this provision, it shall

be sufficient that Steakhouse can provide the written acknowledgment within seven days of the request by the Attorney General. The documents necessary to fully comply with K.S.A. 50-640 are attached as Exhibit 1 and incorporated by reference. A copy of an acceptable acknowledgement is attached as Exhibit 2 and incorporated by reference. For any and all sales, Defendants agents shall provide Kansas consumers with a form that substantially conforms to Exhibit 3 attached hereto and incorporated herein by reference. Such form shall be fully and accurately completed as to any meat product sold and shall be given to the consumer at the time of the sale.

- b) Defendants shall require, as a condition of maintaining any agency or employment relationship with Steakhouse, any agent which conducts any door-to-door sales in the State of Kansas to provide Steakhouse with fully and properly completed forms evidencing compliance with the written notices required by K.S.A. 50-640 and shall comply with the requirements of K.S.A. 50-903 as to each and every transaction within the state of Kansas. Steakhouse shall implement procedures in dealing with its agents as will permit Steakhouse a reasonable basis to monitor compliance by its agents with this requirement of Kansas law.
- c) Steakhouse shall, upon request by the Attorney General or any County or District Attorney, provide true, accurate and legible copies of any of the documents which are required by the terms of this Consent Judgment. No transaction which occurred prior to the execution of this

Consent Judgment or more than twelve months prior to the request for production of such documents served upon Steakhouse shall form the basis for a violation of this paragraph.

- d) Any request by the Attorney General under this paragraph shall identify the transaction or transactions by customer name, address and date of transaction.
- e) Upon written request for such information being served upon Defendants, Defendants shall provide the requested documents no later than thirty days after the service of the written request. The Attorney General shall notify Defendants of any alleged deficiency in such documentation within 60 days after receipt of same. Nothing herein shall be interpreted to prevent the Attorney General from pursuing any action for violations of law that are beyond the scope of the matters addressed by this Consent Judgment, nor shall any agent of Steakhouse be permitted to assert compliance with this Consent Judgment as a defense to any action in which they are personally named as a defendant.

11. In the event Steakhouse fails to timely provide the documentation required in Paragraph 9 above, or in the event that the documentation for any particular transaction fails to comply with the requirements of this Consent Judgment, Steakhouse and/or Creighton will pay to the Attorney General the sums specified in Paragraph 12. Any such sums shall be in addition to any amounts for restitution which may be available to any consumer for which the Attorney General may assert a demand for relief.

12. Upon the occurrence of any event which constitutes a violation of Paragraph 9 of this Consent Judgment, the following amounts shall become due hereunder:

- a) For each event occurring on or before June 30, 2005, a payment in the amount of \$250.00;
- b) For each event occurring on or after July 1, 2005, but on or before December 31, 2005, a payment in the amount of \$750.00; and
- c) For each event occurring on or after January 1, 2006, a payment in the amount of \$1,000.00.
- d) Any sums that become due and payable hereunder shall constitute civil penalties and investigative fees and expenses and shall be applied accordingly as required by law.
- e) In the event the amounts due hereunder are not paid within thirty days of the date such amount becomes due and payable, then Steakhouse and/or Creighton shall have a period of ten days from the date that written notice of such failure to timely pay is served upon Steakhouse to pay the sum of \$5,000.00 to the Office of the Attorney General. If the \$5,000.00 is paid within such ten day period, the amount originally due and owing as specified in the written notice required hereunder shall be deducted from the \$5,000.00 and applied to any payment due hereunder and cured. The balance of such \$5,000.00 shall be maintained by the Office of the Attorney General and any future amounts due and owing under this section may be deducted therefrom and applied as permitted hereunder upon written notice to Steakhouse of such claim. In the event a period of 24 months

passes without any additional violations the balance of the \$5,000.00, exclusive of any interest, shall be refunded to Defendants

13. Plaintiff agrees to dismiss its request for civil penalties in the amount of \$10,000 per violation and to further dismiss its request for investigative fees and expenses and to accept the sum of Ten-Thousand Dollars (\$10,000) as satisfaction for all civil penalties and/or investigative fees and expenses. Steakhouse shall pay \$5,000 with the execution of this Agreement and the remaining \$5,000 within 90 days thereafter. Such payment shall be made by cashier's check payable to the Office of the Attorney General and shall be paid at the time of entry of this Consent Judgment.

Steakhouse and Creighton acknowledge that acts in violation of the injunction herein agreed to shall, in addition to any other remedies available to the Attorney General, constitute a violation of this Consent Judgment and shall subject Steakhouse and/or Creighton to civil penalties for such violations.

14. The provisions of this Consent Judgment will be applicable to Steakhouse, Creighton, their agents, employees, partners, representatives and/or successors in interest.

15. Defendants agree to be permanently enjoined from entering into, forming, organizing or reorganizing into any partnership, corporation, sole proprietorship or any other legal structures, where such restructuring is done for the purpose or object of avoiding compliance with the terms of this Consent Judgment.

16. Jurisdiction is retained by this Court for the purpose of enabling any of the parties to this Consent Judgment to apply to this Court at any time for such further orders and directions as may be necessary or appropriate for the modification of any of

the provisions hereof, for the enforcement of compliance herewith, and for the punishment of violations hereof.

17. If any portion, provision or part of this Consent Judgment is held to be invalid, unenforceable, or void for any reason whatsoever, that portion shall be severed from the remainder and shall not affect the validity or enforceability of the remaining provisions, portions or parts.

18. Compliance with this Consent Judgment does not relieve Defendants of any obligation imposed by applicable federal, state or local law, nor shall this Consent Judgment preclude the Attorney General from taking appropriate legal action to enforce civil or criminal statutes under his jurisdiction. Defendants further understand that nothing in this Consent Judgment shall preclude the Attorney General from taking further action against Defendant in operating this or any other program upon belief that the program is being promoted or operated in a fashion that otherwise violates the law.

19. The parties understand this Consent Judgment shall not be construed as an approval of or sanction by the Attorney General of the business practices of Defendants nor shall Defendants represent the decree as such an approval. The parties further understand that any failure by the State of Kansas or by the Attorney General to take any action in response to any information which the Attorney General now has in its possession and believes forms the basis for a violation of this Consent Judgment shall not be construed as an approval of or sanction of any representations, acts or practices indicated by such information, nor shall it preclude action thereon at a later date.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED that the

stipulations and agreements of the parties contained herein are adopted and approved as the findings of fact and conclusions of law of the Court.

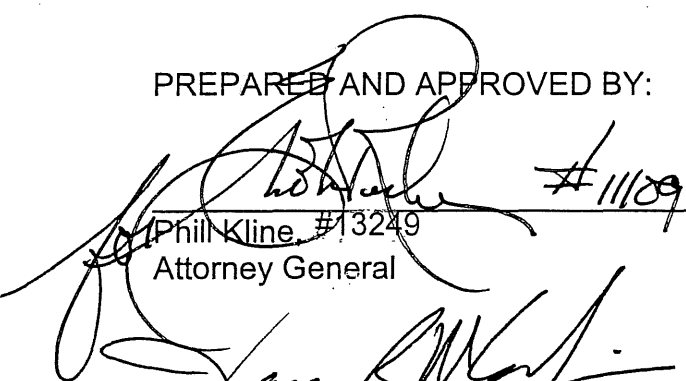
IT IS FURTHER ORDERED, ADJUDGED AND DECREED that pursuant to the Kansas Consumer Protection Act, and the provisions of K.S.A. 50-632(b), the Court hereby approves the terms of the Consent Judgment and adopts the same as the Order of the Court.

IT IS SO ORDERED.

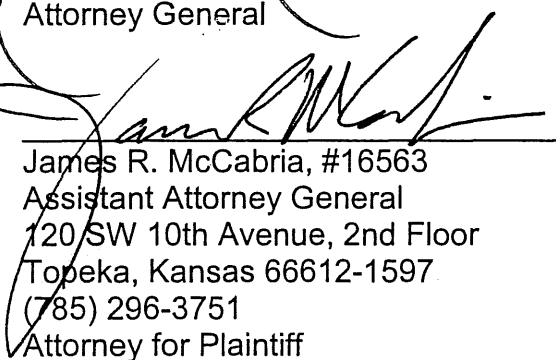
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Judge of the District Court

PREPARED AND APPROVED BY:

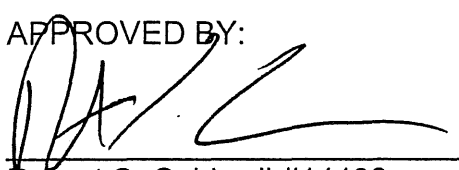


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