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12 ATTORNEYS FOR PLAINTIFF
13 FEDERAL TRADE COMMISSION

14 **UNITED STATES DISTRICT COURT**
15 **FOR THE CENTRAL DISTRICT OF CALIFORNIA**
16 **WESTERN DIVISION**

17 **FEDERAL TRADE COMMISSION,**

18 **Plaintiff,**

19 **v.**

20 **FUTURENET, INC., et al.,**

21 **Defendants.**

CIVIL NO. 98-1113 GHK (AIJx)

**(PROPOSED) STIPULATED FINAL
JUDGMENT AND ORDER FOR A
PERMANENT INJUNCTION AS TO
DEFENDANTS FUTURENET,
FUTURENET ONLINE, LOBATO
AND SETLIN**

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Plaintiff Federal Trade Commission ("Commission") filed its Complaint and Application for a Temporary Restraining Order and other equitable relief on February 17, 1998. The Court granted plaintiff's Application on February 23, 1998. Defendants filed an *ex parte* Emergency Application to Modify the Temporary Restraining Order on March 2, 1998, and, following a hearing, the Court modified the terms of its Temporary Restraining Order on March 6, 1998.

1 The Complaint charged defendants FUTURENET, INC., FUTURENET ONLINE, INC.,
2 ROBERT DEPEW, LARRY HUFF, CHRIS LOBATO, ALAN J. SETLIN, AND DAVID SOTO
3 with violations of Section 5 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 45.
4 Plaintiff Commission and defendants FUTURENET, INC., FUTURENET ONLINE, INC.,
5 CHRIS LOBATO and ALAN J. SETLIN, represented by the attorneys whose names appear
6 hereafter, have agreed to entry of this Stipulated Final Judgment and Order for Permanent
7 Injunction ("Order") by the Court to resolve all matters in dispute in this action, without
8 admission of liability, and without trial or adjudication of any issue of law or fact herein.

9 FINDINGS

- 10 1. This Court has jurisdiction of the subject matter of this case and over defendants.
11 2. The Complaint states claims upon which relief may be granted against the defendants,
12 under Sections 5 and 13(b) of the FTC Act, as amended, 15 U.S.C. §§ 45 and 52(b).
13 3. Entry of this Order is in the public interest.
14 4. The defendants enter into this Order freely and without coercion and acknowledge that
15 they understand the provisions of this Order and are prepared to abide by them.
16 5. Venue in this district is proper under 28 U.S.C. § 1391 (b) and (c) and 15 U.S.C.
17 § 53(b).
18 6. The acts and practices of the defendants were or are in or affecting commerce, as
19 "commerce" is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

20 DEFINITIONS

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

- 22 A. "Defendants" collectively means FUTURENET, INC. ("FUTURENET"),
23 FUTURENET ONLINE, INC. ("FUTURENET ONLINE"), PRESCILIANO aka CHRIS
24 LOBATO ("LOBATO") and ALAN J. SETLIN ("SETLIN").
25 B. FUTURENET includes, but is not limited to, its division known as Future Electric
26 Networks ("FEN").
27 C. "Multi-level marketing program" means any marketing program in which
28 participants pay money to the program promoter in return for which the participants obtain the

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1 opportunity involving any multi-level marketing program. This term includes, but is not limited to,
2 compensation paid or provided to participants in a multi-level marketing program as a result of or
3 relating to any type of training provided to either new or existing participants in a multi-level
4 marketing program.

5 G. "Compensation related to retail sales of goods and services" is any form of
6 compensation paid or provided as the result of or relating to the retail sales of goods and services.

7 H. "Compensation related to the non-retail sales of goods or services" is
8 compensation paid or provided as a result of or relating to the non-retail sales of goods and
9 services.

10 ORDER

11 I.

12 **IT IS THEREFORE ORDERED** that defendants FUTURENET, FUTURENET
13 ONLINE, LOBATO, SETLIN, their successors, assigns, officers, agents, servants, employees and
14 distributors, and those persons in active concert or participation with them who receive actual
15 notice of this Order by personal service or otherwise, are permanently restrained and enjoined
16 from permitting any individual banned by any Court Order in an any action brought by the
17 Commission, as well as any entity owned or controlled by such a banned individual, from
18 engaging, participating, or assisting in any manner or capacity whatsoever, directly, or in concert
19 with others, in any multi-level marketing program owned, operated or controlled by
20 FUTURENET or FUTURENET ONLINE, or any other entities owned, controlled or operated by
21 LOBATO or SETLIN.

22 II.

23 **IT IS FURTHER ORDERED** that defendants FUTURENET, FUTURENET ONLINE,
24 LOBATO and SETLIN, their successors, assigns, officers, agents, servants, employees and
25 distributors, and those persons in active concert or participation with them who receive actual
26 notice of this Order by personal service or otherwise, are permanently restrained and enjoined
27 from engaging, participating, or assisting in any manner or capacity whatsoever, directly, in
28 concert with others, or through any business entity or other device, in any prohibited marketing

1 scheme, provided, however, that FUTURENET, FUTURENET ONLINE, LOBATO and
2 SETLIN are not enjoined from engaging, participating, or assisting in multi-level marketing
3 programs to sell goods or services, subject to the terms of this Order.

4 **III.**

5 **IT IS FURTHER ORDERED** that defendants FUTURENET, FUTURENET ONLINE,
6 LOBATO and SETLIN, their successors, assigns, officers, agents, servants, employees and
7 distributors, and those persons in active concert or participation with them who receive actual
8 notice of this Order by personal service or otherwise, whether directly, in concert with others, or
9 through any business entity or other device, are permanently restrained and enjoined from:

10 A. Paying compensation related to recruitment to any existing participant in a multi-
11 level marketing program to sell goods or services unless the existing participant personally
12 recruited the new participant. Further, only one existing participant in a multi-level marketing
13 program to sell goods or services may receive compensation for the recruitment of each new
14 individual participant; and

15 B. Permitting independent contractors, representatives or participants in a multi-level
16 marketing program to place advertisements containing any trade names used by these defendants
17 without prior approval from these defendants.

18 **IV.**

19 **IT IS FURTHER ORDERED** that defendants FUTURENET, FUTURENET ONLINE,
20 LOBATO and SETLIN, their successors, assigns, officers, agents, servants, employees and
21 distributors, and those persons in active concert or participation with them who receive actual
22 notice of this Order by personal service or otherwise, in connection with the advertising,
23 promoting, offering for sale, sale, or distribution of any good or service, are hereby permanently
24 restrained and enjoined from:

25 A. Misrepresenting, expressly or by implication, the amount of earnings any person
26 actually made or can potentially make;

27 B. Misrepresenting, expressly or by implication, the amount of sales a person actually
28 made or can potentially make;

1 C. Misrepresenting, expressly or by implication, that any person who participates in
2 any multi-level marketing program will or can receive compensation related to recruitment, as
3 defined in this Order;

4 D. Making any specific earnings claims without also disclosing (1) the number of
5 participants in the multi-level marketing programs who make at least the same earnings and (2)
6 the percentage of all participants who earn the represented amount;

7 E. Misrepresenting, expressly or by implication, that FUTURENET, FUTURENET
8 ONLINE, LOBATO or SETLIN have received any type of approval or endorsement from the
9 Commission for any good, service or sales program promoted or sold by these defendants; and

10 F. Misrepresenting any material fact.

11 **V.**

12 **IT IS FURTHER ORDERED** that defendants FUTURENET, FUTURENET ONLINE,
13 LOBATO and SETLIN, their successors, assigns, officers, agents, servants, employees and
14 distributors, and those persons in active concert or participation with them who receive actual
15 notice of this Order by personal service or otherwise, are hereby permanently restrained and
16 enjoined from:

17 A. Offering the sale or resale of electrical power or other energy service unless
18 FUTURENET, FUTURENET ONLINE, LOBATO or SETLIN are registered or licensed by the
19 appropriate state and local authorities or are otherwise authorized by applicable law and in
20 compliance with the applicable state and local requirements relating to sellers and resellers of
21 electrical power and other energy service; and

22 B. Failing to disclose to any prospective purchaser of electrical power or other energy
23 service, as well as any prospective participant in any multi-level marketing program to sell or
24 resell electrical power or other energy service, whether FUTURENET, FUTURENET ONLINE,
25 LOBATO or SETLIN have the authority and ability to sell or resell electrical power or other
26 energy service in the jurisdiction in which the prospective purchaser resides on the date that these
27 defendants advertise, promote, or offer for sale or resale electrical power or any other energy
28 service.

1 Paragraph V should not be construed to restrict the applicability of the other provisions of
2 this Order to the sale or resale of electrical power or other energy service.

3 **VI.**

4 **IT IS FURTHER ORDERED** that defendants FUTURENET, FUTURENET ONLINE,
5 LOBATO and SETLIN, their successors, assigns, officers, agents, servants, employees and
6 distributors, and those persons in active concert or participation with them who receive actual
7 notice of this Order by personal service or otherwise, are hereby permanently restrained and
8 enjoined from failing to pay a refund to any participant in any multi-level marketing program to
9 sell goods or services according to the following schedule: (1) 100% of the amount paid if the
10 participant requests a refund within sixty days of payment; and (2) 100% of the amount paid less
11 a 10% restocking fee if the participant requests a refund within sixty-one days to one year after
12 the date of payment. Refunds under subsections (1) and (2) may be offset by any compensation
13 received by the participant as a result of such purchase. Refunds under subsections (1) and (2)
14 may also be conditioned upon the return of the product in resalable condition, not requiring
15 refurbishing and in its original packaging. Refunds under subsections (1) or (2) may also be
16 conditioned on the termination of the participant's affiliation with defendants or any entity under
17 their control.

18 **VII.**

19 **IT IS FURTHER ORDERED** that defendants FUTURENET, FUTURENET ONLINE,
20 LOBATO and SETLIN, their successors, assigns, officers, agents, servants, employees and
21 distributors, and those persons in active concert or participation with them who receive actual
22 notice of this Order by personal service or otherwise, are permanently restrained and enjoined
23 from failing to verify each transaction whereby a person becomes a participant in any multi-level
24 marketing program to sell goods or services. Defendants shall ensure that each participant or
25 prospective participant in any such multi-level marketing program receives a written verification
26 form.

27 A. The verification form may not be signed prior to or on the same day that the
28 person agrees to become a participant in a multi-level marketing program to sell goods or services

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1 participation with them who receive actual notice of this Order by personal service or otherwise,
2 in connection with the advertising, promoting, offering for sale, sale, or distribution of any good
3 or service are permanently restrained and enjoined from:

4 A. Failing to take reasonable steps sufficient to monitor and ensure that all their
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1 received by these defendants (including any commissions paid or payable) as a result of
2 participants joining the multi-level marketing program; (3) the total volume of sales of goods and
3 services sold by FUTURENET, FUTURENET ONLINE and any entity owned, operated or
4 controlled by LOBATO or SETLIN and the participants in each of their multi-level marketing
5 programs for the reporting period; (4) compensation related to recruitment paid to participants in
6 each multi-level marketing program operated by FUTURENET, FUTURENET ONLINE and any
7 entity owned, operated or controlled by LOBATO or SETLIN; (5) compensation related to retail
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1 disclosures, in the form attached as Exhibit 3 (individuals) or Exhibit 4 (corporate) hereto, within
2 ten business days of receiving a request from the Commission or its representative to do so. The
3 Commission or its representative may verify all information provided on the financial disclosure
4 form with all appropriate third parties, including but not limited to financial institutions; and

5 F. Failing to submit to the Commission the report for Fiscal Year 1997 prepared by
6 the independent auditors for FUTURENET and FUTURENET ONLINE, within 15 days of its
7 receipt. This report shall be submitted to the Commission's Associate Director for Marketing
8 Practices at the address listed in Paragraph XXII.

9 **IX.**

10 **IT IS FURTHER ORDERED** that defendants FUTURENET, FUTURENET ONLINE,
11 LOBATO and SETLIN, and their successors and assigns, are hereby restrained and enjoined from
12 operating, holding a five-percent or greater ownership interest, share, or stock in, or serving as an
13 officer, director or trustee of, any business entity engaged in whole or in part in any multi-level
14 marketing program to sell goods or services unless and until these defendants, for a period
15 running from the date of entry of this Order through three years after the entry of this Order, first
16 obtain a performance bond in the principal sum of not less than One-hundred Thousand Dollars
17 (\$100,000.00) nor more than One-million Dollars (\$1,000,000.00). Specifically, defendants shall,
18 no later than the date of entry of this Order, post a performance bond in the amount of One-
19 hundred Thousand Dollars (\$100,000.00). Defendants, on the first business day of every other
20 month that this bond is in effect, shall increase the value of this bond by One-hundred Dollars
21 (\$100.00) per each new participant in any multi-level marketing program owned, operated or
22 controlled by the defendants up to a maximum bond value of One-million Dollars
23 (\$1,000,000.00). Defendants may, on the first business day of every other month that his bond is
24 in effect, decrease the value of the bond by One-hundred Dollars (\$100.00) per each participant
25 who fails to renew their participation in any multi-level marketing program owned, operated or
26 controlled by the defendants, provided, however, that the value of the bond shall never decrease
27 to below One-hundred Thousand Dollars (\$100,000.00). In the event of any change in the
28 amount of the bond, defendants shall provide notification of such change to the Commission's

1 Associate Director for Marketing Practices at the address indicated in Paragraph XXII. Such
2 notification shall include an indication of the amount of the bond and an explanation for such
3 change including, but not limited to, the number of participants in each of the defendants' multi-
4 level marketing programs for the six months preceding the change, to the extent that those
5 months post-date defendants' signing the Stipulated Final Judgment and Order for Permanent
6 Injunction.

7 A. The performance bond shall be an insurance agreement pledging surety for
8 financial loss issued by a surety company that holds a Federal Certificate of Authority As
9 Acceptable Surety On Federal Bond and Reinsuring. The surety company issuing the
10 performance bond must be admitted to do business in each state where the entity to be insured
11 does business. The performance bond shall cite this Permanent Injunction as the subject matter of
12 the bond and shall provide surety thereunder against financial loss resulting from whole or partial
13 failure of performance due, in whole or in part, to any violation of this Order. Such performance
14 bond shall be executed in favor of both (1) the Federal Trade Commission for the benefit of any
15 person injured as a result of any false or misleading representation of material fact made by any
16 such business or its employees, and (2) any consumer so injured;

17 B. The bond shall be deemed continuous and remain in full force and effect at all
18 times for the period beginning with the date of entry of this Order through three years after the
19 date of entry of this Order, during which defendants FUTURENET, FUTURENET ONLINE,
20 LOBATO and SETLIN, and their successors and assigns, operate or hold a five-percent
21 ownership interest in, or serve as an officer, director or trustee of any entity engaged in whole or
22 in part in the sale of any business opportunity involving a multi-level marketing program for the
23 sale of goods or services;

24 C. The bond required by this Paragraph is in addition to, and not in lieu of, any other
25 bond required by federal, state, or local law;

26 D. Defendants FUTURENET, FUTURENET ONLINE, LOBATO and SETLIN shall
27 provide a copy of the bond required by this paragraph to the Associate Director for Marketing
28 Practices at the address specified in Paragraph XXII, at least ten (10) days before commencing

1 the advertising, offering for sale, or selling of any multi-level marketing program for the sale of
2 goods or services or the date of entry of this Order, whichever is later;

3 E. The Commission, and only the Commission, may execute against the performance
4 bond if it demonstrates to this Court by a preponderance of the evidence that, after the effective
5 date of this Order, any business in which defendants FUTURENET, FUTURENET ONLINE,
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1 C. Defendants shall pay this judgment to the Commission or its designee as follows:
2 (a) Five-hundred Thousand Dollars (\$500,000.00) from an escrow held by Chadbourne & Parke
3 within two business days of the entry and receipt by defendants of this Order; (b) One-hundred
4 Thousand Dollars (\$100,000.00) within the latter of five business days of the entry of this Order
5 by the Court or 30 days after the defendants execute this Order; and (c) One-hundred Thousand
6 Dollars (\$100,000.00) per month on the monthly anniversary date of the payment made under
7 section (b) of this subparagraph until the judgment amount is paid in full. The Commission shall,
8 if practical, propose a plan to the Court to conduct a claims procedure which will (1) enable
9 consumers who sent money to defendants to make claims against those funds, (2) provide a
10 means of distributing the funds recovered to those consumers who have approved claims, and (3)
11 provide payment for the receiver and court-appointed monitor and persons retained by either.
12 Defendants forever disclaim all right, title, and interest in all sums paid. None of these funds shall
13 be returned to defendants, their successors, heirs, or assigns. If the Commission determines, in its
14 sole discretion, that redress to purchasers is wholly or partially impractical, any funds not so used
15 shall be deposited in the United States Treasury with the exception of any funds used to pay the
16 receiver and court-appointed monitor and persons retained by either. No portion of any payments
17 under the judgment herein shall be deemed a payment of any fine, penalty, or punitive assessment;
18 and

19 D. If defendants fail to timely pay the judgment amount as set forth above, interest
20 will accrue on the judgment at the legal rate.

21 **XI.**

22 **IT IS FURTHER ORDERED** that the freeze of the defendants' assets shall be lifted
23 upon entry of this Order.

24 **XII.**

25 **IT IS FURTHER ORDERED** that the appointment by this Court of Retired Chief
26 Justice Malcolm Lucas as Monitor for FUTURENET and FUTURENET ONLINE is vacated
27 upon entry of this Order.

1 **XIII.**

2 **IT IS FURTHER ORDERED** that defendants, and their successors and assigns, for a
3 period of five years from the date of entry of this Order, when acting in an individual capacity, or
4 in connection with any entity in which any defendant has at least a five percent ownership interest
5 or is a director, officer (or comparable position with a non-corporate entity), or person that
6 formulates policies or procedures, in connection with advertising, marketing, promoting, offering
7 for sale, sale, or distribution of any product or service, are hereby restrained and enjoined from
8 failing to create, maintain and make available to representatives of the Commission, upon
9 reasonable notice:

10 A. Books, records and accounts which, in reasonable detail, accurately and fairly
11 reflect the income, disbursements, transactions and use of monies;

12 B. Records accurately reflecting the name, address, and phone number of each
13 employee, independent contractor, or distributor of any defendant, that person's job title or
14 position, the date upon which the person commenced work, and the date and reason for his or her
15 termination, if applicable. Defendants shall retain such records for any terminated person for a
16 period of two years following the date of termination;

17 C. Records containing the names, addresses, and phone numbers of all consumers to
18 whom any defendant has sold, invoiced, or shipped any products or services, whether on behalf of
19 any defendant or any third party;

20 D. Records that, for every consumer complaint or refund request, whether received
21 directly or indirectly or through any third party, reflect:

22 (1) the consumer's name, address, telephone number and the dollar amount paid
23 by the consumer;

24 (2) the written complaint, if any, and the date of the complaint or refund request;
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1 (6) in the event of a denial by any defendant of a refund request, the reason for
2 such denial, or if cured, the basis for determining that such complaint has been
3 cured; and

4 E. Records relating to all ventures undertaken by any defendant that involve a multi-
5 level marketing program, group or individual meetings, telemarketing, infomercials or other
6 television or radio advertising, or direct mail, including but not limited to copies of all contracts or
7 agreements between any defendant and any sales company, mailhouse, printer, information
8 provider, telephone company, television or radio station, or other person through whom any
9 defendant advertises or promotes products or services, as well as copies of all advertisements or
10 promotional materials utilized in such ventures.

11 **XIV.**

12 **IT IS FURTHER ORDERED** that, for a period of five years from the date of entry of
13 this Order, for purposes of determining or securing compliance with this Order, in connection
14 with advertising, promoting, offering for sale, sale, or distribution of any product or service,
15 defendants, their successors, assigns, officers, agents, servants, employees and distributors, and
16 those persons in active concert or participation with them who receive actual notice of this Order
17 by personal service or otherwise, shall permit representatives of the Commission upon reasonable
18 written notice:

19 A. Access during normal office hours to any office or business facility in which
20 documents relating to compliance with the terms of this Order are stored or held, to inspect and
21 copy such documents; and

22 B. To interview current officers, directors, distributors, independent contractors, and
23 employees of any entity directly or indirectly under their control or under common control with
24 them, relating to compliance with the terms of this Order without restraint or interference from
25 any defendant at a location reasonably convenient to the defendant and the person to be
26 interviewed. The person interviewed may have counsel present.

1 officer (or comparable position with a non-corporate entity), or person that formulates policies or
2 procedures, shall, within sixty days of a written request from the Commission:

3 A. File with the Commission a statement containing the names of the media in or on
4 which they, their agents, representatives, servants, employees, salespersons, independent
5 contractors or those of any corporations, trusts, or persons or other entities managed or
6 controlled in whole or in part by any defendant, have placed advertisements, the months during
7 which those advertisements were published or broadcast, the caller paid and/or toll-free telephone
8 numbers utilized in furtherance of the sale of goods and services, and the local carriers and/or
9 telephone service common carriers utilized in furtherance of any telemarketing activities; and

10 B. Produce any requested marketing materials used in the advertising, promoting,
11 offering for sale, sale, or distribution of any product or service sold or offered for sale by
12 defendants, their successors or assigns, agents, representatives, or affiliates.

13 **XIX.**

14 **IT IS FURTHER ORDERED** that defendants shall distribute a copy of this Order along
15 with two copies of the cover letter attached hereto as Exhibit 5 to:

16 A. All of defendants' officers, agents, servants, employees, distributors,
17 representatives and independent contractors, and those persons in active concert or participation
18 with them, as of February 23, 1998, and defendants shall make their best efforts to obtain a signed
19 and dated acknowledgment of receipt of the same;

20 B. For a period of five years from the date of entry of this Order, defendants, when
21 acting in an individual capacity, or in connection with any entity in which any defendant has at
22 least a five percent ownership interest or is a director, officer (or comparable position with a non-
23 corporate entity), to any future officer, director, managing agent, employee, distributor, or
24 independent contractor of any defendant, and obtain a signed and dated acknowledgment of
25 receipt of the same;

26 C. The Order and cover letter must be distributed to those persons identified in
27 subparagraph A not more than 10 days after the entry of this Order; and

1 D. For 8 years from the date of this Order, retain, and upon reasonable notice make
2 available to representatives of the Commission, the original signed and dated acknowledgments of
3 receipts required by subparagraphs A and B.

4 **IT IS FURTHER ORDERED** that, within two days after the entry of this Order,
5 defendants shall post a copy of this Order along with a copy of the cover letter attached hereto as
6 Exhibit 5 on the homepages of all Internet web sites that any defendant maintains or operates.
7 Defendants shall continue to post these documents within 24 hours of the creation of any new
8 Internet web sites. These documents shall remain permanently posted on each such homepage.

10 **XX.**

11 **IT IS FURTHER ORDERED** that within ten business days after notice of entry of this
12 Order, each defendant shall submit to the Commission a truthful sworn statement in the form of
13 Exhibit 6 to this Order, that shall reaffirm and attest to the truthfulness, accuracy, and
14 completeness of the financial statements that were executed on behalf of: (A) LOBATO on
15 February 28, 1998 and supplemented on March 18, 1998, March 24, 1998 and March 25, 1998,
16 (B) SETLIN on March 12, 1998 and supplemented on March 24, 1998 and March 25, 1998, and
17 (C) FUTURENET and FUTURENET ONLINE on March 11, 1998 and supplemented on March
18 24, 1998, as well as asset depositions of the defendants. The Commission's agreement to this
19 Order is expressly premised upon the truthfulness, accuracy, and completeness of defendants'
20 financial condition as represented in total by the financial statements and asset depositions of each
21 defendant as referenced above, which contain material information upon which the Commission
22 relied in negotiating and agreeing to the amount and/or terms of the redress payment stated in this
23 Order. If, upon motion by the Commission, this Court finds that any of the defendants failed to
24 file the sworn statements required by this Paragraph, or filed a financial statement that failed to
25 disclose any material asset, or materially misrepresented the value of any asset, or made any other
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1 material misrepresentation in or omission from the financial statement, unless corrected during the
2 asset depositions, this Order herein shall be reopened for the purpose of modifying the amount
3 and/or terms of the redress payment from any such defendant; provided, however, that in all other
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1 have against them or against their agents through the date that defendants execute this Order,
2 with the exception of a claim, not to exceed \$1,000.00, against the Receiver concerning petty
3 cash.

4 **XXIV.**

5 **IT IS FURTHER ORDERED** that defendants shall execute, have notarized and return to
6 the Commission at the address listed in Paragraph XXII the acknowledgment of receipt of a date-
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1 PRESCILIANO aka CHRIS LOBATO

2 Approved as to form:
3 CHADBOURNE & PARKE

4 By: _____
5 Harvey I. Saferstein
6 Jay Henneberry

7 LAW OFFICES OF MICHAEL L. ABRAMS

8 By: _____
9 Michael L. Abrams

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11 There being no just cause for delay, this Stipulated Final Judgment and Order for a
12 Permanent Injunction as to Defendants FUTURENET, FUTURENET ONLINE, LOBATO and
13 SETLIN is hereby entered this ___ day of ____, 1998, and all previous temporary restraining
14 orders regarding FUTURENET, FUTURENET ONLINE, LOBATO and SETLIN are lifted.

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16 _____
17 George H. King
18 United States District Judge
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EXHIBIT 1

You must sign this form at least one day after you fill out your application to be a participant in a FutureNet multi-level marketing program to sell goods or services. You must send it to FutureNet within five (5) days. **Your order cannot be processed until we receive this signed form.**

1. Before becoming a participant in a FutureNet multi-level marketing program, did you receive a copy of the company's policies and procedures? Yes ____ No ____

2. Did anyone explain to you that your compensation must be derived primarily from the sale of goods and services to persons outside the organization? Yes ____ No ____

3. Did anyone explain to you that you have a right to receive a refund, subject to certain conditions, for payments made to participate in the multi-level marketing program and for products and services, within a year of payment? Yes ____ No ____

4. Did anyone make any statement to you relating to compensation that were, are, or will be received through your participation in marketing programs, without also disclosing (1) the number of participants in the programs who make at least the same earnings; and (2) the percentage of all participants who earn the represented amount? Yes ____ No ____

5. Did anyone represent to you in any way that persons affiliated with FutureNet have received any type of approval or endorsement from the Federal Trade Commission for any good, service, or sales program? Yes ____ No ____

DATE OF PURCHASE _____ NAME _____

ADDRESS _____

(city, state, zip code)

TELEPHONE # _____

1 **EXHIBIT 2**

2 You must sign this form at least one day after you fill out your application to be a
3 participant in a FutureNet multi-level marketing program to sell or resell electrical power or other
4 energy service. You must send the form to FutureNet within five (5) days. **Your application**
5 **cannot be processed until we receive this signed form.**

6 1. Before becoming a participant in FutureNet's multi-level marketing program, did
7 you receive a copy of the company's
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1 EXHIBIT 3

2 FINANCIAL STATEMENT OF INDIVIDUAL DEFENDANT

3
4
5 Instructions: Complete all items. You must make your best effort to obtain any
6 information requested. If you are not sure whether certain facts and information are
7 responsive to an item, include them. Write "NA" if not applicable. Attach additional
8 sheets as needed. Type or print legibly. Sign and date completed form on last page.

9 Note: Federal law provides that any person may be imprisoned for not more than five
10 years, fined, or both, if such person:

11 (1) "in any matter within the jurisdiction of any department or agency of the
12 United States knowingly and willfully falsifies, conceals or covers up by any
13 trick, scheme, or device a material fact, or makes any false, fictitious or
14 fraudulent statements or representations, or makes or uses any false writing or
15 document knowing the same to contain any false, fictitious or fraudulent
16 statement or entry" (18 U.S.C. § 1001);

17 (2) "in any ... statement under penalty of perjury as permitted under section
18 1746 of title 28, United States Code, willfully subscribes as true any material
19 matter which he does not believe to be true" (18 U.S.C. § 1621); or

20 (3) "in any (... statement under penalty of perjury as permitted under section
21 1746 of title 28, United States Code) in any proceeding before or ancillary to
22 any court or grand jury of the United States knowingly makes any false material
23 declaration or makes or uses any other information ... knowing the same to
24 contain any false material declaration. (18 U.S.C. § 1623)

25 For a felony conviction under the provisions cited above, federal law provides that the
26 fine may be not more than the greater of (i) \$250,000 for an individual or \$500,000 for
27 a corporation, or (ii) if the felony results in pecuniary gain to any person or
28 pecuniary loss to any person other than the defendant, the greater of twice the gross
gain or twice the gross loss. 18 U.S.C. § 3571.

21
22 PERSONAL INFORMATION

23 Item i.

24 Your Full Name _____ Date of
25 Birth _____

26 Your
27 address _____

28 Telephone No. _____ Soc. Sec. No. _____

1 Have you ever used another name or social security number? Yes _____ No _____ If so,
list them.

2 _____

3 _____

4 _____

5 _____

6 **Item ii.**

Spouse's Name _____ Date of

7 Birth _____

8 Address (if
different) _____

9 Telephone No. _____ Soc. Sec. No.

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1 Child's Name _____ Date of
Birth _____
2
3 Address (if
different) _____
4 Telephone No. _____ Soc. Sec. No.
5 _____
6 Claimed as dependent on any tax return by you or your spouse (or the child's other
parent) at any time during the past 5 years? Yes____ No____
7 If so, for what years? _____

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1 **c.**
Child's Name _____ Date of
2 Birth _____
3 Address (if
different) _____
4 Telephone No. _____ Soc. Sec. No.
5 _____
6 Claimed as dependent on any tax return by you or your spouse (or the child's other
parent) at any time during the past 5 years? Yes ___ No ___
7
8 If so, for what years? _____

9 **Item v.**
10 Provide the requested information for each of your primary places of residence for the
past five years.

11 **(1)**
12 Current
Address _____
13 From _____ To _____ Own ___ Rent ___ Purchase Price or Mo.
Rent _____

14 Name and Address of
15 Landlord _____

16 **(2)**
17 Former
Address _____
18 -
19 From _____ To _____ Own ___ Rent ___ Selling Price or Mo.
20 Rent _____

21 **(3)**
22 Former
Address _____
23 -
24 From _____ To _____ Own ___ Rent ___ Selling Price or Mo.
Rent _____

25 **(4)**
26 Former
Address _____
27 -
28 From _____ To _____ Own ___ Rent ___ Selling Price or Mo.
Rent _____

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EMPLOYMENT

Item 6.

Provide the requested information for each of the previous five years for each company of which you were a director, officer, employee, agent, or consultant at any time during those five years. Income includes any salary, draw, dividends or other benefits received by you, your spouse or your children as a result of your labor or ownership interest.

<u>a. Company Name & Address</u>	<u>Positions Held</u>	<u>Year</u>	<u>Income from</u>
<u>Company</u>			

1	_____	_____	19__
2	_____		
3	_____	_____	19__
4	_____	_____	19__
5	_____		
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As used in the remaining items, "your children" includes only children whom you or your spouse (or their other parent) claimed or could have claimed as a dependent for tax purposes at any time during the past five years. This limitation does not apply to the

1 List all commercial paper, securities, stocks, bonds, mutual funds or other financial
2 instruments in which you, your spouse, and/or your children have an interest:

3	Name & Address	Type of	Current
4	Liens or	Instrument	Value
5	of Custodian		
6	Encumbrances		
7	_____		
8	_____		
9	_____		
10	_____		
11	_____		
12	_____		
13	_____		
14	_____		
15	_____		
16	_____		

17 **Item 9.**

18 List all life insurance policies on you, your spouse or your children:

19	a.	Insurance Company		
20		<u>Name and Address</u>	Insured: _____	Face Value:
21		_____	Beneficiary: _____	
22		_____	Surrender Value: _____	
23		_____	Loans On Policy: _____	
24				
25	b.	Insurance Company		
26		<u>Name and Address</u>	Insured: _____	Face Value:
27		_____	Beneficiary: _____	
28		_____	Surrender Value: _____	

1 _____ Loans On Policy: _____

2
3 **c.** Insurance Company
Name and Address _____ Insured: _____ Face Value:
4 _____

5 _____ Beneficiary: _____

6 _____ Surrender Value: _____

7 _____ Loans On Policy: _____

8 **Item 10.**
9 Provide the requested information about any real estate in which you, your spouse, or
your children have an interest (including, but not limited to, land or buildings).

10 **a.**
11 Location of
Property _____

12 Owner &
13 Interest _____

14 Purchase Price _____ Current Market
Value _____

15 Name & Address of Holder of
16 Encumbrance _____

17 _____

18 Account or Loan # _____ Original Amount _____ Current
19 Payoff _____

20 **b.**
21 Location of
Property _____

22 Owner &
Interest _____

23 Purchase Price _____ Current Market
24 Value _____

25 Name & Address of Holder of
Encumbrance _____

26 _____

27 Account or Loan # _____ Original Amount _____ Current
28 Payoff _____

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c.

Location of Property _____

Owner & Interest _____

Purchase Price _____ Current Market Value _____

Name & Address of Holder of Encumbrance _____

Account or Loan # _____ Original Amount _____ Current Payoff _____

d.

Location of Property _____

Owner & Interest _____

Purchase Price _____ Current Market Value _____

Name & Address of Holder of Encumbrance _____

Account or Loan # _____ Original Amount _____ Current Payoff _____

1 **Item 11.**

2 Provide the requested information about any automobile, motorcycle, boat, or airplane
3 in which you, your spouse, or your children have an interest.

3 **a.**

4 Year, Make & Model _____

5 Owner _____

6 Address where can be
7 found _____

8 Purchase Price _____ Current Value _____ Who makes
9 payments? _____

10 Name & Address of Holder of
11 Encumbrance _____

12 Account or Loan # _____ Original Amount _____ Current
13 Payoff _____

13 **b.**

14 Year, Make & Model _____

15 Owner _____

16 Address where can be
17 found _____

18 Purchase Price _____ Current Value _____ Who makes
19 payments? _____

20 Name & Address of Holder of
21 Encumbrance _____

22 Account or Loan # _____ Original Amount _____ Current
23 Payoff _____

23 **c.**

24 Year, Make & Model _____

25 Owner _____

26 Address where can be
27 found _____

28 Purchase Price _____ Current Value _____ Who makes
payments? _____

Name & Address of Holder of
Encumbrance _____

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Account or Loan # _____ Original Amount _____ Current
Payoff _____

1 **d.**
Year, Make & Model_____

2 Owner_____

3 Address where can be
4 found_____

5 Purchase Price_____ Current Value_____ Who makes
6 payments?_____

7 Name & Address of Holder of
8 Encumbrance_____

9 Account or Loan #_____ Original Amount_____ Current
10 Payoff_____

11 **Item 12.**
12 List all other assets with a current value of \$1000 or more (including, but not limited
13 to, cash, antiques, furniture, artwork, gems, jewelry, precious metals, horses and
14 other live animals and collectibles) in which you, your spouse, or your children have
15 an interest.

14	Asset	Name & Address Where Located	Owner	Current Value
15	_____	_____	_____	_____
16	_____	_____	_____	_____
17	_____	_____	_____	_____
18	_____	_____	_____	_____
19	_____	_____	_____	_____
20	_____	_____	_____	_____
21	_____	_____	_____	_____
22	_____	_____	_____	_____
23	_____	_____	_____	_____
24	_____	_____	_____	_____
25	_____	_____	_____	_____
26	_____	_____	_____	_____
27	_____	_____	_____	_____
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1 **Item 13.**

2 List each credit card or revolving loan account in your, your spouse's, or your
3 children's names or that any of you use, and provide the requested information.

4	5	6	7	8
9	10	11	12	13
14	15	16	17	18
19	20	21	22	23
24	25	26	27	28

Name & Address of Bank

Type of Card or Loan & Account #

Names on Account

Last Balance

22 **Item 14.**

23 List all other liabilities not already described, and provide the requested
24 information.

25 Nature of Liability

Name & Address of Person or
Entity to Whom Liable

Amount of Liability

26 _____

27 _____

28 _____

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 2 _____
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Item 15.

CURRENT BALANCE SHEET

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ASSETS

LIABILITIES

Cash in Banks \$ _____
 \$ _____
 Money Market Funds \$ _____
 \$ _____
 Accounts Receivable \$ _____
 \$ _____
 Securities \$ _____
 \$ _____
 Cash Value of Life Insurance Policies \$ _____
 \$ _____
 IRAs - Value \$ _____
 \$ _____
 Household Furnishing \$ _____
 \$ _____
 Motor vehicles - value \$ _____
 \$ _____
 Real Property - value \$ _____
 \$ _____
 Jewelry - value \$ _____
 Artwork - value \$ _____
 \$ _____

Credit Cards Payable
 Installment Obligations
 Other Loans Payable
 Encumbrances of Securities
 Loans on Life Insurance
 Income Taxes Payable
 Other Taxes Payable
 Motor vehicles - liens
 Real Property - encumbrances
Other Liabilities (Describe)

1	<u>Other Assets</u> (Describe)			
2	\$ _____			
3	\$ _____	\$ _____		
4	\$ _____	\$ _____		
5	\$ _____	\$ _____		
6	\$ _____	\$ _____		
7	\$ _____	\$ _____		
8	\$ _____	\$ _____		
9	\$ _____	\$ _____		
10	\$ _____	\$ _____		
11	\$ _____	\$ _____		
12	\$ _____	\$ _____		
13	\$ _____	\$ _____		
14	\$ _____	\$ _____		
15	\$ _____	\$ _____		
16	_____	\$ _____		\$ _____
17	_____			
18	Total Assets	\$ <u>_____</u>	Total Liabilities	\$ <u>_____</u>
19	<u>_____</u>			
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1 Item 16.

AVERAGE MONTHLY INCOME AND EXPENSES

2 INCOME

EXPENSES

3	Salary	\$ _____	Mortgage/Rent Payments
	\$ _____		
4	Spouses Salary	\$ _____	State & Fed Income Taxes
5	\$ _____		
6	Dividends	\$ _____	Other taxes
	\$ _____		
7	Interest	\$ _____	Alimony or child support
8	\$ _____		
9	Fees or Commissions	\$ _____	Food and Clothing
	\$ _____		
10	Income Property	\$ _____	Expenses of Income Prop
11	\$ _____		
12	<u>Other Income</u> (Describe)		Utilities
	\$ _____		
13	_____	\$ _____	Car Payments
14	\$ _____		
15	_____	\$ _____	<u>Other Expenses</u> (Describe)
16	_____	\$ _____	_____
	\$ _____		
17	_____	\$ _____	_____
18	\$ _____		
19	_____	\$ _____	_____
	\$ _____		
20	_____	\$ _____	_____
21	\$ _____		
22	_____	\$ _____	_____
	\$ _____		
23	_____	\$ _____	_____
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25	_____	\$ _____	_____
	\$ _____		
26	_____	\$ _____	_____
27	\$ _____		

28

1	_____	\$ _____	_____	
2	\$ _____			
3	_____	\$ _____	_____	
4	\$ _____			
5	_____	\$ _____	_____	
6	\$ _____			
7	_____	\$ _____	_____	
8	\$ _____			
9	_____	\$ _____	_____	\$ _____
10	Total Income	\$ _____	Total Expenses	\$ _____

11 _____

12 **Item 17.**
 13 Have you, your spouse, and/or your children filed a federal income tax return during
 14 the last three years? Yes () No (). If answer is yes, attach a copy of
 15 the returns and all schedules.

16 **Item 18.**
 17 Have you, your spouse and/or your children placed any assets in trust, or are you, your
 18 spouse and/or your children beneficiaries or potential recipients of any assets or
 19 income from any trust? Yes () No (). If answer is yes, provide the
 20 following information.

Trust	Trustees' Names and Addresses	Donor of Trust	Beneficiaries of Trust	Present of
21	_____			
22	_____			
23	_____			
24	_____			
25	_____			

26
 27 I am submitting this financial statement under court order and with the
 28 understanding that it may affect action by the Federal Trade Commission or a federal
 court. I have used my best efforts to obtain the information requested in this

1 statement. The responses I have provided to the items above are true and contain all
2 the requested facts and information of which I have notice or knowledge. I have
3 provided all requested documents in my custody, possession, or control. I know of the
4 penalties for false statements under 18 U.S.C. § 1001, 18 U.S.C. § 1621, and 18 U.S.C.
5 § 1623 (five years imprisonment and/or fines). I certify under penalty of perjury
6 under the laws of the United States that the foregoing is true and correct.

Executed on:

(Date) Signature

1 EXHIBIT 4

2 FINANCIAL STATEMENT OF CORPORATE DEFENDANT

3
4
5 Instructions: Complete all items. You must make your best effort to obtain any
6 information requested. If you are not sure whether certain facts and information are
7 responsive to an item, include them. Write "NA" if not applicable. Attach additional
8 sheets as needed. Type or print legibly. An officer of the corporation must sign and
9 date the completed form on the last page. If no officer is available to sign the form
because all officers assert their Fifth Amendment privilege against self-
incrimination, the corporation's board of directors must designate another person to
sign and complete the form. A copy of the corporate resolution designating such
person should be attached to the form.

10 Note: Federal law provides that any person may be imprisoned for not more than five
11 years, fined, or both, if such person:

12 (1) "in any matter within the jurisdiction of any department or agency of the
13 United States knowingly and willfully falsifies, conceals or covers up by any
14 trick, scheme, or device a material fact, or makes any false, fictitious or
fraudulent statements or representations, or makes or uses any false writing or
document knowing the same to contain any false, fictitious or fraudulent
statement or entry" (18 U.S.C. § 1001);

15 (2) "in any ... statement under penalty of perjury as permitted under section
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Code City State Zip

NOTE: ATTACH SCHEDULE OF ALL BUSINESS ADDRESSES

3. Foreign _____
Domestic _____

4. State-Incorporation _____ Date-
Incorporation _____

Licensed to do business in _____

5. Name Registered Agent _____

a. Address Registered Agent _____

b. Phone _____

6. Names and Addresses of Principal Stockholders. Indentify the owners of at least 75% of the stock of the Corporation.

<u>Name</u>	<u>Address</u>	% of Total Shares
-------------	----------------	-------------------

1 Name/Office Held Address % of Total Shares # of
 2 Shares

3 (1)

4 -

5 (2)

6 -

7 (3)

8 -

9 (4)

10 -

11 (B) Names and Addresses of Current Members of Board of Directors.

12 Names Address Expiration of Term

13 (1)

14 -

15 (2)

16 -

17 (3)

18 -

19 (4)

20 -

21 (5)

22 -

23 8. List all states and municipalities to which taxes have been paid and/or are
 24 being paid. Describe nature and amount of such taxes, state most recent year of
 25 payment thereof and whether tax payments are current.

26 Nature of Tax Date Last Paid Amount Paid Amount
 27 Due

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9. Has this Corporation filed United States Corporate Income Tax Returns for the last three fiscal years? Yes () No (). If yes, attached copies of each tax return.

To what I.R.S. Office(s)?

What years?

Name and address of person who prepared tax return(s)

What Years?

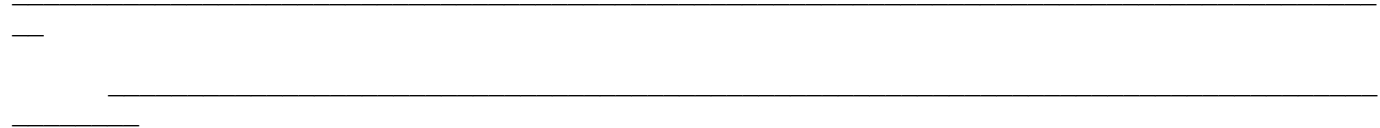
Are Federal Taxes Current? Yes () No ()

Describe any Federal Tax liabilities or liens

10. Name and Address of:

(a) Corporation's Independent Certified Public Accountants during last three years.

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(b) Corporate Attorneys retained by Corporation during last three years.

11. Does this Corporation have a Profit and Loss Statement and/or Balance Sheet for the three previous fiscal years and any part of the current fiscal year? Yes () No (). If yes, submit one copy of each. Submit audited documents if available.

12. Give names and addresses of Banks, Savings and Loan Associations, and other such entities, within the United States or elsewhere, where the Corporation maintains bank accounts. Indicate name and number of accounts and balances.

(A) Checking Account(s)

<u>Bank</u>	<u>Location</u>	<u>Account No.</u>	<u>Balance</u>
-------------	-----------------	--------------------	----------------

(B) Savings Account(s)

<u>Bank</u>	<u>Location</u>	<u>Account No.</u>	<u>Balance</u>
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(C) Savings & Loan Associations or other such entities

<u>Name</u>	<u>Location</u>	<u>Account No.</u>	<u>Balance</u>
-------------	-----------------	--------------------	----------------

(D) Trust Account(s)

(E) Other Account(s)

13. List all commercial paper, negotiable or non-negotiable, in which the Corporation has any interest whatsoever. Describe such paper and the Corporation's interest therein, and state its present location. List all accounts and loans receivable in excess of \$1000 and specify if due from an officer, stockholder, or director.

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14.A. For the period between the last taxable year and the present, indicate in round figures:

(1) Gross Income
\$ _____

(2) Expenses (Fixed and Current)
\$ _____

(3) Gross Profit (or Loss)
\$ _____

(4) Net Profit After Taxes
\$ _____

(5) (List approximate totals):
Payables: \$ _____ Receivables:
\$ _____

(6) Figures above related to period from _____ to _____.

B. For the last taxable year, indicate in round figures:

(1) Gross Income
\$ _____

(2) Expenses (Fixed and Current)
\$ _____

(3) Gross Profit (or Loss)
\$ _____

(4) Net Profit After Taxes
\$ _____

(5) (List approximate totals):
Payables: \$ _____ Receivables:
\$ _____

(6) Figures above related to period from _____ to _____.

C. For the taxable year prior to the last taxable year, indicate in round figures:

1 (1) Gross Income
\$ _____

2 (2) Expenses (Fixed and Current)
3 \$ _____

4 (3) Gross Profit (or Loss)
5 \$ _____

6 (4) Net Profit After Taxes
\$ _____

7 (5) (List approximate totals):

8 Payables: \$ _____ Receivables:
9 \$ _____

10 (6) Figures above related to period from _____ to
_____.

11 15. Is this Corporation presently:

12 (A) Active? Yes () No ()
13)

14 (B) Inactive? Yes () No ()
15)

16 (C) Void and/or Terminated by State Authority? Yes () No ()
17)

18 (D) Otherwise dissolved? Yes () No ()
19)

20 1. Date _____

21 2. By whom? _____

22 3. Reasons _____

23 16. (A) List corporate salaries and/or draws of the following personnel for the
24 current and two previous taxable years.

Before		Current	Past	Year
	<u>Position</u>	<u>Partial Year</u>	<u>Year</u>	<u>Last</u>

25 President _____

26
27
28

1 Vice
President _____

2 _____

3 Chairman/Board _____

4 _____

5 Secretary _____

6 _____

7 Treasurer _____

8 _____

9 (B) List five most highly compensated employees or officers (other than those
10 listed in A above), describe position, and set forth salary and/or bonus for the
current and two previous taxable years.

11 Before		Current	Past	Year
	<u>Name</u>	<u>Position</u>	<u>Partial Year</u>	<u>Year</u>
			<u>Year</u>	<u>Last</u>

12 _____

13 _____

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22 _____

23 (C) Describe the nature of any compensation paid to the persons listed in (A)
and (B) above in the form of stock options, pensions, profit sharing, royalties,
24 and/or other deferred compensation rights.

25 Name	Type of Compensation
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17. List all fields of activity in which this Corporation is engaged, either directly or through subsidiaries or affiliates, stating the names(s), and state(s) of incorporation of such subsidiaries or affiliates.

- 1.
- 2.
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- 5.

18. Has this Corporation at any time been the subject of any proceeding under the provisions of any State Insolvency Law, or the Federal Bankruptcy Code? If so, supply the following information as to each such proceeding:

- (A) Date (Commencement) _____ (B) Date (Termination) _____
- (C) Discharge or other disposition, if any, and operative effect thereof:

(D) State Court _____ Federal Court _____
County State District

1 (E) Docket

2 No. _____

3 19. (A) List all Real Estate and tangible property, of an estimated value in excess
4 of \$5000.00, owned or under contract to be purchased by this Corporation and
5 where located: (Include inventory, machinery, equipment, furniture, vehicles,
6 and any other personal property).

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24 (B) List and describe all judgments, recorded and unrecorded:

25 (1) Against the Corporation

26	<u>Description</u>	<u>Court</u>	<u>Docket No.</u>	<u>Date of Judgment</u>
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(2) In favor of the Corporation

<u>Description</u>	<u>Court</u>	<u>Docket No.</u>	<u>Date of Judgment</u>
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(C) List and describe all other encumbrances against Real Estate listed in (A) above, including but not limited to mortgages, recorded or unrecorded:

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(D) List and describe all other encumbrances (including but not limited to security interests, whether perfected or not) against any such personalty owned by the Corporation as is listed in (A) above.

(E) List the landlords to whom rent is paid, if the corporation occupies any rental space:

20. List all Life Insurance, now in force on any or all officers, directors, and/or "key" employees, setting forth face amounts, names of life insurance companies, and policy numbers where this Corporation has an "insurable interest," and/or is paying the premium or part of same. Where applicable, indicate under which policy(s) this Corporation is a beneficiary, type policy(s), yearly premium, and location of policy(s).

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21. (A) List all persons authorized to sign corporate checks.

<u>Name</u>	<u>Bank</u>	<u>Account No.</u>
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(B) List all persons provided and/or authorized to use corporate credit card(s).

<u>Name</u>	<u>Card Issuer</u>	<u>Account No.</u>
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22. List all transfers of any or all assets (Real and/or Personal) (over \$1000.00) made by this Corporation, OTHER THAN IN THE ORDINARY COURSE OF BUSINESS, during the last three years, identify the asset and its value, and state to whom transfer was made.

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23. Is this Corporation a party in any law suit now pending?
() Yes. (give details below) () No.

24. List names and addresses of any person or other business entity, holding funds in escrow or in trust for this Corporation, or any of its subsidiaries, or affiliates.

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25. Additional Remarks:

26. Attachments

(A) Are corporate tax returns attached (See item 9)? Yes () No ()

(B) Are Profit and Loss Statements and/or Balance Sheets attached (See item 11)? Yes () No ()

(C) State number of franchises sold by this corporation: _____. Attach a list giving the name, address and telephone number of each purchaser of a franchise, the date of the purchase, and the total amount of fees paid by such person.

(D) Identify other attachments:

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I am submitting this financial statement under court order and with the understanding that it may affect action by the Federal Trade Commission or a federal court. I have used my best efforts to obtain the information requested in this statement. The responses I have provided to the items above are true and contain all the requested facts and information of which I have notice or knowledge. I have provided all requested documents in my custody, possession, or control. I know of the penalties for false statements under 18 U.S.C. § 1001, 18 U.S.C. § 1621, and 18 U.S.C. § 1623 (five years imprisonment and/or fines). I certify under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed on:

(Date) Signature

Company/Corporate Position

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EXHIBIT 5

FUTURENET LETTERHEAD

FutureNet Distributor
Address

Dear Distributor:

As a distributor for FutureNet you have a legal obligation and a moral responsibility to tell the truth. This obligation is especially important since FutureNet entered into a court order prohibiting all misrepresentations as part of the advertising, promoting, offering for sale, and sale of any product or service of FutureNet. Violations of this order will result in your termination as a distributor and may lead to a law enforcement action. A copy of the order is attached to this letter. You must read and understand the order and comply with its terms.

Simply put, you **may not** misrepresent any fact a person would rely upon in deciding to purchase any good or service of FutureNet, i.e., any material fact. For example:

1. You may not misrepresent, expressly or by implication, the earnings any person in FutureNet actually made or can potentially make;

2. You may not misrepresent, expressly or by implication, the amount of sales any person in the FutureNet actually made or can potentially make;

3. You may not misrepresent, expressly or by implication, that any person who participates in any multi-level marketing program can or will receive compensation related to recruitment except as permitted in the attached Stipulated Final Judgment, *i.e.*, that you can only receive compensation for persons that you personally recruit and that each participant in the marketing program primarily derives his or her compensation from the sale of goods or services;

4. You may not make any specific earnings claim to any person without also disclosing (a) the number of persons in FutureNet who make at least the same earnings and (b) the total number of persons in FutureNet who earn the represented amount; and

5. You may not misrepresent, expressly or by implication, that the Federal Trade Commission approves or endorsed any product or service marketed or sold by FutureNet.

If FutureNet or any of its representatives provide you with any information or marketing materials which you, for any reason, know, suspect or discover is not truthful or accurate, you should report such fact to the Federal Trade Commission at: Associate Director of Marketing Practices, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington, DC 20580. You may be personally liable for making or passing on false statements to consumers. In addition, the court order consented to by FutureNet requires the companies to terminate your distributorship if you make misrepresentations to consumers.

Do not make up answers to consumer's questions under any circumstances. Stop your presentation and ask a representative of FutureNet for the correct answer. A false answer to a question is every bit as serious as a false initial presentation and may subject you to legal action and the termination of your distributorship.

You also should be aware that FutureNet, as part of the settlement with the Federal Trade Commission, have agreed to a refund policy concerning the purchase of any goods and/or services,

1 including, but not limited to, any goods and/or services purchased when you became a participant in
2 FutureNet's multi-level marketing program. The policy is:

- 3 1. 100% of the amount paid if the participant requests a refund within 60 days of payments; and
4 2. 100% of the amount paid less a 10% restocking fee if the participant requests a refund within
5 61 days to 1 year after the date of payment.

6 Refunds under both sections 1 and 2 may be offset by any compensation received as a result of such
7 purchase. Refunds may also be conditioned upon the return of a product in resalable condition, *i.e.*, in its
8 original packaging and not in need of refurbishing, and on the termination of your affiliation with FutureNet.

9 Please sign a copy of this letter and return it to FutureNet in the attached pre-addressed envelope as
10 an acknowledgment that you read this letter and the attached court order.

11 Very truly yours,

12 Alan J. Setlin
13 Chairman

14 Acknowledged as received and read by:

15 Date: _____
16 _____ (Print & sign your name)
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1 **EXHIBIT 6**

2 **DECLARATION OF PRESCILIANO aka CHRIS LOBATO**

3
4 I, Presciliano aka Chris Lobato, hereby state that the information contained in the financial statement
5 executed on February 28, 1998 and supplemented on March 18, 1998, March 24, 1998 and March 25, 1998,
6 and the related papers mentioned therein, provided to the Federal Trade Commission, in conjunction with the
7 information provided in his asset deposition, was true, accurate, and complete at such time. The financial
8 statement and the related papers shall be retained in Commission files.

9 I declare under penalty of perjury that the foregoing is true and correct. Executed this _____ day of
10 _____, 1998, at _____, California.

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13 Presciliano aka Chris Lobato
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DECLARATION OF ALAN J. SETLIN

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1 **DECLARATION OF FUTURENET, INC. AND FUTURENET ONLINE, INC.**

2 I, Alan J. Setlin, Chairman of FutureNet, Inc. and FutureNet Online, Inc., and on its behalf hereby
3 state that the information in the combined financial statement of FutureNet, Inc. and FutureNet Online, Inc.,
4 executed on March 11, 1998 and supplemented on March 24, 1998, and the related papers mentioned
5 therein, provided to the Federal Trade Commission, in conjunction with the information provided in their
6 asset depositions, was true, accurate, and complete at such time. The financial statement and the related
7 papers shall be retained in Commission files.
8

9 I declare under penalty of perjury that the foregoing is true and correct. Executed this _____ day of
10 _____, 1998, at _____, California.

11 FUTURENET, INC.

12 By: _____
13 Alan J. Setlin, Chairman

14 FUTURENET ONLINE, INC.

15 By: _____
16 Alan J. Setlin, Chairman

1 EXHIBIT 7

2 UNITED STATES DISTRICT COURT
3 FOR THE CENTRAL DISTRICT OF CALIFORNIA
4 WESTERN DIVISION

5 FEDERAL TRADE COMMISSION,

6 Plaintiff,

7 v.

8 FUTURENET, INC., et al.,)

9 Defendants.)

CIVIL NO. 98-1113 GHK (AIJx)

AFFIDAVIT OF DEFENDANT
PRESCILIANO aka CHRIS LOBATO

10
11 Presciliano aka Chris Lobato, being duly sworn, hereby states and affirms as follows:

12 1. My name is Presciliano aka Chris Lobato. My current residence address is

13 _____ . I am a citizen of the United States and
14 am over the age of eighteen. I have personal knowledge of the facts set forth in this Affidavit.

15 2. I am a defendant in the above-captioned matter, FTC v. FutureNet, Inc. et al.

16 3. On _____, 1998, I received a date-stamped copy of the Stipulated Final Judgment
17 and Order for a Permanent Injunction as to Defendants FutureNet, FutureNet Online, Lobato and Setlin,
18 which was signed by the Honorable George H. King and entered by the Court

1 on _____, 1998. A true and correct copy of the Order I received is appended to this Affidavit.

2 I declare under penalty of perjury under the laws of the United States that the
3 foregoing is true and correct. Executed on _____, 1998, at _____, California.

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5

Presciliano Lobato

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State of California, City of _____

7

Subscribed and sworn to before me
8 this ____ day of _____, 1998.

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Notary Public
My Commission Expires:

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UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

FUTURENET, INC., et al.,

Defendants.

ALAN J. SETLIN

CIVIL NO. 98-1113 GHK (AIJx)

AFFIDAVIT OF DEFENDANT

1 on _____, 1998. A true and correct copy of the Order I received is appended to this Affidavit.

2 I declare under penalty of perjury under the laws of the United States that the
3 foregoing is true and correct. Executed on _____, 1998, at _____, California.

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5

Alan J. Setlin

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State of California, City of _____

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Subscribed and sworn to before me
8 this ____ day of _____, 1998.

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Notary Public
My Commission Expires:

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1 UNITED STATES DISTRICT COURT
2 FOR THE CENTRAL DISTRICT OF CALIFORNIA
3 WESTERN DIVISION

4 FEDERAL TRADE COMMISSION,)

5 Plaintiff,)

6 v.)

7 FUTURENET, INC., et al.,)

8 Defendants.)

CIVIL NO. 98-1113 GHK (AIJx)

AFFIDAVIT OF DEFENDANT
FUTURENET, INC.

10 Alan J. Setlin, being duly sworn, hereby states and affirms as follows:

11 1. My name is Alan J. Setlin. I am the chairman of FutureNet, Inc. My current residence
12 address is _____. I am a citizen of the United
13 States and am over the age of eighteen. I have personal knowledge of the facts set forth in this Affidavit.

14 2. FutureNet, Inc. is a defendant in the above-captioned matter, FTC v. FutureNet, Inc. et al.

15 3. On _____, 1998, in my capacity as chairman of FutureNet, Inc., I received a date-
16 stamped copy of the Stipulated Final Judgment and Order for a Permanent Injunction as to Defendants
17 FutureNet, FutureNet Online, Lobato and Setlin, which was signed by the Honorable George H. King and
18 entered by the Court
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1 on _____, 1998. A true and correct copy of the Order I received is appended to this Affidavit.

2 I declare under penalty of perjury under the laws of the United States that the
3 foregoing is true and correct. Executed on _____, 1998, at _____, California.

4 FUTURENET, INC.

5
6 _____
7 By: Alan J. Setlin, Chairman

8 State of California, City of _____

9 Subscribed and sworn to before me
this _____ day of _____, 1998.

10
11 _____
12 Notary Public
My Commission Expires:
13 _____

1 UNITED STATES DISTRICT COURT
2 FOR THE CENTRAL DISTRICT OF CALIFORNIA
3 WESTERN DIVISION

4 FEDERAL TRADE COMMISSION,)

5 Plaintiff,)

6 v.)

7 FUTURENET, INC., et al.,)

8 Defendants.)

CIVIL NO. 98-1113 GHK (AIJx)

AFFIDAVIT OF DEFENDANT
FUTURENET ONLINE, INC.

10 Alan J. Setlin, being duly sworn, hereby states and affirms as follows:

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1 the Honorable George H. King and entered by the Court on _____, 1998. A true and correct copy
2 of the Order I received is appended to this Affidavit.

3 I declare under penalty of perjury under the laws of the United States that the
4 foregoing is true and correct. Executed on _____, 1998, at _____, California.

5 FUTURENET ONLINE, INC.

6
7 _____
8 By: Alan J. Setlin, Chairman

9 State of California, City of _____

10 Subscribed and sworn to before me
11 this _____ day of _____, 1998.

12 _____
13 Notary Public
14 My Commission Expires:
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