

**UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF FLORIDA**

Case No. 05-22223-Civ-Ungaro-Benages/O'Sullivan

**FEDERAL TRADE COMMISSION,
Plaintiff,**

v.

NETFRAN DEVELOPMENT CORP.,
DBA Netspace, a Florida corporation;
NETVERTISE, INC., DBA Netspace, a
Florida corporation; and
ELLIOT KRASNOW, individually and as
an officer of Netfran Development Corp. and
Netvertise, Inc.

Defendants.

**FINAL JUDGMENT AND ORDER FOR PERMANENT INJUNCTION AS TO
DEFENDANTS NETVERTISE, INC., AND ELLIOT KRASNOW**

Plaintiff, the Federal Trade Commission ("FTC" or "Commission"), filed a Complaint on August 11, 2005, seeking a Permanent Injunction and Other Relief, including redress to consumers, pursuant to Sections 13(b) and 19(a) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 53(b) and 57b(a).

The Commission alleged that Defendants engaged in deceptive acts and practices in

3. “Investment Opportunity” means any interest, product or service, other than a business arrangement covered by the Franchise Rule or Business Opportunity Rule, including any partnership, interest in any partnership, stock or other beneficial interest, tangible or intangible, that is offered for sale, traded or sold to consumers based, wholly or in part, on material representations, express or implied, that the interest, product or service may generate financial return or appreciate in value;
4. “Corporate Defendant” means Netvertise, Inc. and its successors, assigns, affiliates or subsidiaries, but not including Ariel Way, Inc., Netfran Development Corp., or Netspace International, Inc.;
5. “Individual Defendant” means Elliot Krasnow;
6. “Defendants” means: (a) the Corporate Defendant; and (b) the Individual Defendant.

ORDER

I. BAN AGAINST INVOLVEMENT IN THE OFFER OR SALE OF BUSINESS ARRANGEMENTS COVERED BY THE FRANCHISE RULE OR BUSINESS OPPORTUNITY RULE

IT IS THEREFORE ORDERED that Defendants are hereby permanently restrained and enjoined from:

- A. Advertising, marketing, promoting, offering for sale, or selling any business arrangement covered by the Franchise Rule or Business Opportunity Rule to any person or assisting in the advertising, marketing, promotion, offering for sale or selling of any business arrangement covered by the Franchise Rule or Business Opportunity Rule to any person;
- B. Receiving any remuneration or other consideration of any kind whatsoever as a result of engaging or assisting in the advertising, marketing, promoting, offering for sale, or selling of any business arrangement covered by the Franchise Rule or Business Opportunity Rule;
- C. Holding any ownership interest, share, or stock in any business entity which engages in or assists in the advertising, marketing, promoting, offering for sale, or selling of any

business arrangement covered by the Franchise Rule or Business Opportunity Rule, (however, this prohibition shall not apply to any publicly traded company in which Defendants do not own more than 1% of the outstanding common shares); or

D. Serving as an employee, officer, director, trustee, general manager of, or consultant or advisor in a position with duties or responsibilities that require engaging or assisting in the advertising, marketing, promoting, offering for sale, or selling of any business arrangement covered by the Franchise Rule or Business Opportunity Rule .

II. PROHIBITION AGAINST VIOLATION OF SECTION 5 OF THE FEDERAL TRADE COMMISSION ACT

IT IS FURTHER ORDERED that, in connection with the offering for sale or sale of any Investment Opportunity or Business Venture, Defendants and their officers, agents, servants, and employees, and those persons in active concert or participation with them who receive actual notice of this Final Order by personal service or otherwise, are hereby permanently restrained and enjoined from:

A. Misrepresenting, directly or by implication, orally or in writing, to any potential purchaser of an Investment Opportunity or Business Venture, any material fact, including, but not limited to:

1. the likelihood that purchasers of an Investment Opportunity or Business Venture will earn a substantial income;
2. the amount of income purchasers of an Investment Opportunity or Business Venture can expect to receive;
3. the amount of income that any existing purchaser of an Investment Opportunity or Business Venture has received; or
4. any risks involved in the purchase of an Investment Opportunity or Business Venture.

B. Providing substantial assistance to any third party to make any material misrepresentation, including, but not limited to, those misrepresentations prohibited by Paragraph II.A., above.

III. MONETARY JUDGMENT

IT IS FURTHER ORDERED that:

A. Defendants are liable to the Commission for Five Hundred Thousand Dollars (\$500,000) and the FTC is awarded a monetary judgment in this amount. *Provided, however,* that this judgment shall be satisfied upon Defendants' completion of the following within 10 days of entry of this Final Order:

1. payment of One Hundred and Sixty Thousand Dollars (\$160,000) to the Federal Trade Commission;

2. unless Defendants have done so already, in accordance with 31 U.S.C. § 7701, furnishing to the Commission their taxpayer identification numbers (Social Security Numbers and employer identification numbers) which shall be used for purposes of collecting and reporting on any delinquent amount arising out of Defendants' relationship with the government.

3. as to the Individual Defendant, unless he has done so already, providing the Commission with clear, legible and full-size photocopies of all valid driver's licenses he possesses, which will be used for reporting and compliance purposes.

B. Any and all funds paid pursuant to this Order, including this Section III and Section IV, shall be deposited into a fund administered by the Commission or its agent to be used for equitable relief, including, but not limited to, consumer redress and any attendant expenses for the administration of any redress fund. In the event that redress to purchasers is wholly or partially impracticable, or any funds remain after redress is completed, the Commission may apply any remaining funds to such other equitable relief (including consumer information remedies) as it determines to be reasonably related to Defendants' practices alleged in the Complaint. Any funds not used for such equitable relief shall be deposited in the United States Treasury as disgorgement. Defendants shall have no right to contest the manner of distribution chosen by the Commission. The Commission in its sole discretion may use a designated agent to administer consumer redress

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IV. RIGHT TO REOPEN

A. The Commission's agreement to this Final Order is expressly premised upon the financial condition of Defendants as represented in the sworn financial statement and supporting documents they provided to the Commission dated August 20, 2005, and the deposition of November 8, 2005, all of which include material information upon which the Commission relied in negotiating and consenting to this Final Order.

B. If, upon motion by the Commission, this Court finds that Defendants made a material misrepresentation or omitted material information concerning their financial condition, then the Court shall direct the Clerk to enter judgment against Defendants and in favor of the Commission for the full amount of \$500,000 immediately due and payable, together with interest computed at the rate prescribed under 28 U.S.C. § 1961, as amended, less the sum of any payments previously made pursuant to this Final Order.

C. Any proceedings instituted under this Section IV are in addition to, and not in lieu of, any other civil or criminal remedies as may be provided by law, including any other proceedings that the FTC may initiate to enforce this Final Order.

V. ACKNOWLEDGMENT OF RECEIPT OF ORDER

IT IS FURTHER ORDERED that, within five (5) business days of receipt of this Final Order as entered by the Court, Defendants must submit to the Commission truthful sworn statements acknowledging receipt of this Final Order.

VI. DISTRIBUTION OF ORDER BY DEFENDANTS

IT IS FURTHER ORDERED that, for a period of five (5) years from the date of entry of this Final Order, Defendants shall deliver copies of this Final Order as directed below:

A. **Corporate Defendant:** Corporate Defendant must deliver a copy of this Order to all of its principals, officers, directors, and managers. Corporate Defendant also must deliver a copy of this Order to all of its employees, agents, and representatives who engage in conduct related to the subject matter of this Order.

of service of this Order upon Corporate Defendant. For new personnel, delivery shall occur prior to them assuming their responsibilities;

B. Individual Defendant as Control Person: For any business that Individual Defendant controls, directly or indirectly, or in which he has a majority ownership interest, Individual Defendant must deliver a copy of this Order to all principals, officers, directors and managers of that business. Individual Defendant must also deliver copies of this Order to all employees, agents and representatives of that business who engage in conduct related to the subject matter of the Order. For current personnel, delivery shall be within five (5) days of service of this Order upon Individual Defendant. For new personnel, delivery shall occur prior to their assumption

services for; a statement of the nature of the business; and a statement of Individual Defendant's duties and responsibilities in connection with the business;

3. Any changes in any Defendant's names, and any aliases or fictitious names adopted or used by any Defendant; and

4. Any changes in the corporate structure of any business entity that any Defendant directly or indirectly controls, or has a majority ownership interest in, that may affect compliance obligations arising under this Final Order, including, but not limited to, a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Final Order; the filing of a bankruptcy petition; or a change in the corporate name or address, at least thirty (30) days prior to such change, *provided, however*, that with respect to any proposed change in the corporation about which a Defendant learns less than thirty (30) days prior to the date such action is to take place, the Defendant shall notify the Commission as soon as is practicable after obtaining such knowledge.

B. One hundred eighty (180) days after the date of entry of this Final Order, and each year thereafter on the same date, through and including calendar year 2012, Defendants shall provide a written report to the FTC, sworn to under penalty of perjury, setting forth in detail the manner and form in which they have complied and are complying with this Final Order. This report shall include, but not be limited to:

1. The then-current residence address, mailing addresses, and telephone numbers of Individual Defendant;

2. The then-current employment and business addresses and telephone numbers of Defendants, a description of the business activities of each such employer or business, and the title and responsibilities of the Individual Defendant for each such employer or business;

3. Any other changes required to be reported under Paragraph VII.A of this Final Order; and

4. A copy of each acknowledgment of receipt of this Final Order obtained by Defendants pursuant to Paragraph VI of this Final Order.

C. For the purposes of this Final Order, Defendant shall, unless otherwise directed by the Commission's authorized representatives, mail all written notifications to the FTC to:

XII. RETENTION OF JURISDICTION

IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this matter for all purposes.

Dated: _____, 2007

FOR THE PLAINTIFF:

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SO ORDERED this 11th day of May, 2007.



UNITED STATES DISTRICT JUDGE