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U.S. DISTRICT COURT
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Attorneys for Plaintiff Federal Trade Commission

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

FEDERAL TRADE COMMISSION and THE
PEOPLE OF THE STATE OF NEW YORK,

Plaintiffs,

vs.

THE CRESCENT PUBLISHING GROUP, INC.,
et al.,

Defendants.

Civil Action No. 00-6315 (LAK)

STIPULATED FINAL JUDGMENT
AND ORDER FOR PERMANENT
INJUNCTION AND
CONSUMER REDRESS

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Plaintiffs, the Federal Trade Commission ("Commission" or "FTC") and the People of
the State of New York by the Attorney General of New York, having filed their Complaint for a
permanent injunction and other relief in this matter, pursuant to section 13(b) of the Federal

Trade Commission Act ("FTC Act"), 15 U.S.C. § 53(b), and pursuant to New York's Executive Law (NY Exec. Law) § 63(12) and General Business Law (NY GBL) Article 22-A, §§ 349 and 350, respectively, and the parties having conferred through counsel, and having agreed to settle this action without adjudication or admission of any issue of fact or law and without Defendants admitting liability for any of the violations alleged in the Complaint or for any wrongdoing whatsoever, therefore, on the joint motion of the parties, it is hereby ORDERED, ADJUDGED, and DECREED as follows:

FINDINGS

1. This Court has jurisdiction of the subject matter of this case and of the parties consenting hereto.
2. Venue is proper as to all parties in the Southern District of New York under 28 U.S.C. §§ 1391(b) and (c), and 15 U.S.C. § 53(b).
3. The activities of Defendants are in or affecting commerce, as defined in the FTC Act, 15 U.S.C. § 44.
4. The Complaint states a claim upon which relief may be granted against Defendants under Section 5 of the FTC Act, 15 U.S.C. § 45(a) and under NY Exec. Law § 63(12) and NY GBL §§ 349 and 350.
5. Defendants waive all rights to seek appellate review or otherwise challenge or contest the validity of this Order. They also waive any claim that they may have held under the Equal Access to Justice Act, 28 U.S.C. § 2412, concerning the prosecution of this action to the

date of this Order. Each settling party shall bear its own costs and attorneys' fees except as otherwise indicated below.

6. No portion of the payment as herein provided shall be deemed a payment of any fine, penalty, forfeiture, or punitive assessment and no provision of this Order shall be construed as an admission or finding that any Defendant has engaged in violations of the FTC Act, NY Exec. Law, NY GBL, or any other law.

7. This Order resolves all matters arising from the allegations in the Complaint.

8. All Attachments to this Order are part of this Order and are incorporated herein, whether or not specifically referred to.

9. Entry of this Order is in the public interest.

DEFINITIONS

I.

A. "Defendants" means all of the Individual Defendants and Corporate Defendants, individually or collectively, and includes their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them.

B. "Corporate Defendants" means The Crescent Publishing Group, Inc., Multimedia Forum, Inc., Arachne, Inc., Back Break, Inc., Base Stealer, Inc., Bird N Bee, Inc., Bird of Paradise, Inc., Black Crow, Inc., Blast High, Inc., By Coastal, Inc., Casey Baby, Inc., Cheri, Inc., Crack Back, Inc., Daedalus, Inc., Daphne, Inc., Doric, Inc., Frau, Inc., Goldfinch, Inc., Green Parrot, Inc., Grey Dove, Inc., Grisette, Inc., Hades, Inc., Hoot Owl, Inc., ICSE, Inc., Kick Over, Inc., Kick Turn, Inc., Kishkus, Inc., Klept, Inc., Knock Knee, Inc., Lackadaisical, Inc., Left

Fielder, Inc., Lemon Zing, Inc., Lsthya, Inc., Marius, Inc., Maxmann, Inc., Menelaus, Inc., Muck-
a-Muck, Inc., Multiline Media, Inc., Multiple Factor, Inc., Nerve Wracking, Inc., Net-TV, Inc.,
OffYear, Inc., Online Forum, Inc., Palantine, Inc., Persephone, Inc., PGTV1, Inc., PGTV2, Inc.,
Phocas, Inc., Pink Flamingo, Inc., Pliny, Inc., Right Fielder, Inc., Romulus, Inc., Scarecrow, Inc.,
Senora, Inc., Sisyphus, Inc., Speckled Sparrow, Inc., Split Back, Inc., Spruce, Inc., Stray Back,
Inc., Trajan, Inc., TXA, Inc., Vespasian, Inc., Vestals, Inc., Wacky Back, Inc., and/or White
Cedar, Inc., whether acting directly or through any corporation, subsidiary, division, or other
device (including but not limited to Luna, S.A., Equuleus, Inc., Dubhe, Inc., Canis, Inc., Cagnus,
Inc., Auriga, Inc., Antlia, Inc., Cepheus, Inc., Fornax, Inc., Apus, Inc., Mrach, Inc., Mintaka, Inc.,
Alkaid, Inc., Alamak, Inc., Mirzam, Inc., Capricornus, Inc., Nebulae, Inc., Bellatrix, Inc.,
Arcturns, Inc.), unless specified otherwise.

C. "Individual Defendants" means Bruce A. Chew and David Bernstein.

D. "In or affecting commerce" means as defined in Section 4 of the FTC Act, 15
U.S.C. § 44.

E. "World Wide Web" means a system used on the Internet for cross-referencing and
retrieving information. A "Web site" is a set of electronic documents, usually a home page and
subordinate pages, readily viewable on a computer or computing device by anyone with access to
the Web, standard software, and knowledge of the Web site's location or address.

F. "Internet" means a worldwide system of linked networks that use a common
protocol (e.g., TCP/IP) to deliver and receive information. The "Internet" includes but is not
limited to the following forms of electronic communication: electronic mail and email mailing

lists, the World Wide Web, Web sites, newsgroups, Internet Relay Chat, and file transfer protocols thereon, and remote computer access from anywhere in the world thereto.

G. "Hyperlink" means a link of a Web page that leads directly to another Web page on the same or a different Web site.

H. "Clear(ly) and conspicuous(ly)" means of a size and shade appearing on the Web page in a manner so as to be reasonably unavoidable, and is presented prior to the consumer incurring any financial obligation, and using language and syntax sufficient for an ordinary consumer to read and understand the disclosure; provided, however, that nothing contrary to, inconsistent with, or that otherwise interferes with a consumer's understanding of the disclosure shall be used in any advertisement.

I. "Cancellation" means any communication to Defendants in an attempt to stop billing of a consumer by or on behalf of the Defendants.

J. "Released Claims" means any and all claims, demands, causes of action, obligations, damages, and liabilities of any kind, including but not limited to costs (unless otherwise specified), expenses and attorneys' fees, arising out of, or having connection in any way whatsoever with any act, omission, cause, matter or allegation that is in whole or in part the subject of or asserted in the Complaint as well as any and all claims, demands, causes of action, obligations, damages and liabilities of any kind, whether known or unknown, that could have been asserted against Released Parties (as defined herein) arising out of any of the facts alleged in the Complaint or based upon the defense of the Litigation.

K. "Released Parties" means, as of the time of the filing of the Complaint, Corporate Defendants, Individual Defendants, employees, officers and directors of Corporate Defendants, the beneficial owner of Corporate Defendants, and any corporations or other entities owned or controlled by the beneficial owner of the Corporate Defendants.

L. "Plaintiffs" means the Federal Trade Commission and the People of the State of New York by the Attorney General of New York.

M. "Complaint" means the complaint filed in the Litigation.

N. "Litigation" means *Federal Trade Commission and The People of the State of New York v. The Crescent Publishing Group, Inc., et al.*, Civil Action No. 00-6315 (SDNY).

O. "Adult Entertainment" includes, but is not limited to, sexually explicit material and gambling activities.

CONDUCT PROVISIONS

II.

IT IS THEREFORE ORDERED that, in connection with the advertising, promoting, offering for sale, or selling products or services in commerce, Defendants are hereby permanently restrained and enjoined from making or assisting others in making, directly or by implication, orally or in writing, any misrepresentation of material fact, including but not limited to:

- A. That accessing or viewing any of Defendants' Web sites does not entail a cost;
- B. That Defendants will not bill a consumer who visits Defendants' Web sites;
- C. That Defendants will use a consumer's credit card account information for age verification purposes only; and

D. That is related to a consumer's decision to purchase Defendants' products or services, including but not limited to the terms of membership of any adult entertainment program or any charges to be made for any adult entertainment products or services.

III.

IT IS FURTHER ORDERED that, if the Defendants provide consumers with a free tour, preview or trial offer on a Web site, Defendants must clearly and conspicuously disclose the following:

- A. The method or means by which a consumer can exit Defendants' Web sites without incurring a cost;
- B. That the free tour, preview or trial offer has ended; and
- C. That if a consumer proceeds further on Defendants' Web sites, Defendants will ~~treat the consumer as having agreed to purchase Defendants' products or services~~ resulting in a charge to the consumer's credit or debit card.

All such disclosures shall be made separately from any other disclosure, and must be made after the free tour, preview or trial offer ends, but prior to consumers' incurring any charges; provided, however, that disclosures made under this Section may be made in conjunction with those in Section IV if done in a clear and conspicuous manner.

IV.

IT IS FURTHER ORDERED that, in connection with advertising, promoting, offering for sale, or selling products or services in commerce, on or through the Internet, Defendants

acting directly, indirectly, or as consultants to any person engaged in such activities, are hereby permanently restrained and enjoined from failing to disclose, clearly and conspicuously, any material fact relating to the billing or payment for Defendants' products or services, including but not limited to:

- A. The identity of the billing descriptor that will appear on the consumer's account or billing statement, as well as all information necessary for a consumer to contact the billing entity; such information shall include but not be limited to the postal address, email address, and telephone number of such entity;
- B. The amount to be charged, including whether the consumer will be billed on a recurring basis;
- C. All procedures for cancellation of Defendants' products or services, if Defendants bill on a recurring basis, including but not limited to any their information regarding cancellation and when such cancellation becomes effective, which may be posted on a separate Web page accessible by a clearly and conspicuously labeled hyperlink that takes consumers directly to all cancellation information; and
- D. The complete terms and conditions of Defendants' offer, which may be posted on a separate Web page accessible by a clearly and conspicuously labeled hyperlink, separate from any hyperlink used pursuant to subparagraph C of this Section.

The disclosure required by subparagraph A of this Section shall be made prior to Defendants requesting any payment information from a consumer, and a second time prior to

consumers incurring any charge for goods or services. All other disclosures must be made prior to consumers incurring any charge for goods or services.

V.

IT IS FURTHER ORDERED that, in connection with advertising, promoting, offering for sale or selling products or services in commerce, on or through the Internet, Defendants are hereby permanently restrained and enjoined from billing or receiving money from, or assisting others in billing or receiving money from a consumer, without the consumer's agreeing to purchase Defendants' products or services, including but not limited to charging or debiting the consumer's credit or debit card accounts or causing a telephone bill, or any portion thereof, to be sent to any consumer.

CONSUMER REFUNDS

VI.

IT IS FURTHER ORDERED that:

- A. Subject to the following terms and conditions, Corporate Defendants shall pay consumer refunds in the amount of Thirty Million Dollars (\$30,000,000) by wire transfer into an account to be designated by the FTC ("the Refund Account") on or before the Ninetieth (90th) day following the entry of this Order:
 1. Corporate Defendants shall have no obligation to make any payment to Plaintiffs prior to the entry of this Order;

2. Corporate Defendants have placed Five Million Dollars (\$5,000,000) into a Trust Account at the law firm of Piper, Marbury, Rudnick & Wolfe to be held and transferred to the Refund Account within three (3) days after entry of this Order by the Court;
 3. Corporate Defendants shall transfer an additional Twenty-Five Million Dollars (\$25,000,000) into the Refund Account on or before the Ninetieth (90th) day following the entry of this Order; and
- B. The total payments by Corporate Defendants to Plaintiffs pursuant to this Order shall not exceed Thirty Million Dollars (\$30,000,000) at any time, except as provided in Section VII of this Order.

RIGHT TO REOPEN IN THE EVENT OF FAILURE TO PAY

VII.

IT IS FURTHER ORDERED that:

- A. Plaintiffs' agreement to this Stipulated Order is expressly premised on Corporate Defendants taking all of the steps described in Section VI of this Order. If Defendants fail to take any action described in Section VI, time being of the essence, the Court shall:

1. Enter judgment, jointly and severally, against all Corporate Defendants, in the amount of Thirty Million Dollars (\$30,000,000), and make an express determination that there is no just reason for delay of entry of judgment. Plaintiffs shall retain any funds received pursuant to Section VI, and all interest accrued thereon, in partial satisfaction of this judgment;
 2. Permit Plaintiffs to execute upon such judgment immediately and engage in discovery in aid of execution; and
 3. Permit Plaintiffs to reopen this matter both to add additional parties and claims pursuant to Rules 14 and 15 of the Federal Rules of Civil Procedure, and to demonstrate to the Court that additional relief, including additional equitable monetary relief, should be entered by the Court against any or all current or future Defendants. Plaintiffs shall have the right to engage in reasonable discovery for this purpose.
- B. In the event this matter is reopened pursuant to this Section, Defendants shall have no right to seek modification or abrogation of this Final Judgment and Order for Permanent Injunction.

C. In no event, however, shall the Court modify judgment against the currently named Defendants so that such judgment is less than Thirty Million Dollars (\$30,000,000).

D. In the event this matter is reopened pursuant to this Section, all other Sections of this agreement shall remain in force with the exception of Section XVII which shall be void.

VIII.

IT IS FURTHER ORDERED that, all funds paid pursuant to Sections VI or VII above, shall be deposited into a fund administered by the Plaintiffs or their agent to be used for consumer redress and other equitable relief as the Commission and the New York Attorney General's Office deem appropriate and any attendant expenses for the administration of any redress fund. Defendants will cooperate fully to assist Plaintiffs in making the redress fund available to individual consumers, including providing Plaintiffs with available credit card and other consumer information. If the Plaintiffs determine, in their sole discretion, that redress to purchasers is wholly or partially impracticable, any funds not used for the administration or payment of consumer redress shall be divided equally for (1) payment to the United States Treasury as costs, and (2) payment to the State of New York as costs and for distribution to not-for-profit corporations and charitable organizations to be used for the improvement and/or advancement of Internet or computer education. Per (2), above, the distribution plan will be prepared and recommended by the New York State Attorney General's Office, subject to the final approval and order of this Court. Defendants shall have no right to contest the manner of distribution chosen by plaintiffs. Plaintiffs, in their sole discretion, may use a designated agent to administer consumer redress.

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APM
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PERFORMANCE BOND

IX.

IT IS FURTHER ORDERED that Corporate Defendant(s), whether acting directly or through any business, entity, corporation, subsidiary, division or other device, are permanently enjoined from engaging in advertising, promoting, offering for sale, or selling adult entertainment on or through the Internet, or acting as a consultant in the above-described business, unless such Corporate Defendant(s) first obtain a Performance Bond in the principal amount of Two Million Dollars (\$2,000,000.00).

A. Each Performance Bond shall be an insurance agreement providing surety for financial loss issued by a surety company that is admitted to do business in each of the states in ~~which Defendants are doing business, that holds a Federal Certificate of Authority As Admitted~~ **Surety On Federal Bond and Reinsuring, and that is rated A or better by Best Insurance Guide.** The Performance Bond shall cite this Stipulated Final Judgment and Order for Permanent Injunction as the subject matter of the Bond and shall provide surety thereunder against financial loss resulting from whole or partial failure of performance due, in whole or in part, to any conduct violating this Order or Section 5 of the FTC Act or NY Exec. Law § 63(12) or NY GBL § § 349 and 350 in connection with advertising, promoting, offering for sale, or selling adult entertainment, or acting as a consultant in the above described activity. Each such Performance Bond shall be in favor of both (1) the Federal Trade Commission and the New York Attorney General's Office for the benefit of any consumer injured as a result of any false or misleading

representation made by any such business or its employees, either directly or indirectly, and (2) any consumer so injured.

B. The Bond shall be deemed continuous and remain in full force and effect at all times during which Corporate Defendant(s) engages or participates in or holds any ownership interest, share, or stock in any business entity engaged, in whole or in part, in advertising, promoting, or offering for sale, adult entertainment sold over the Internet, and for at least two (2) years after Corporate Defendant(s) has ceased to engage or participate in any manner in any such activity;

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

D. Corporate Defendant(s) shall provide the executed original of the Bond or Bonds required by this Part to the Director of Marketing Practices of the Federal Trade Commission at least ten (10) days before commencing the event precipitating the requirement of obtaining the bond;

E. Proceedings instituted under this Section 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 the Commission or the New York Attorney General's Office may initiate to enforce this Order; and

F. Corporate Defendant(s) shall not disclose the existence of the Performance Bond to any consumer, other purchaser or prospective purchaser of any adult entertainment goods or services without disclosing clearly and conspicuously, at the same time: "AS REQUIRED BY ORDER OF THE U.S. DISTRICT COURT IN SETTLEMENT OF CHARGES THAT [NAME OF DEFENDANT] ENGAGED IN FALSE OR MISLEADING REPRESENTATIONS IN THE PROMOTION AND SALE OF ADULT ENTERTAINMENT GOODS OR SERVICES."

X.

IT IS FURTHER ORDERED that Individual Defendant(s), whether acting directly or through any business, entity, corporation, subsidiary, division or other device, are permanently enjoined from engaging in advertising, promoting, offering for sale, or selling adult entertainment on or through the Internet, or acting as a consultant in the above-described business, unless such Individual Defendant(s) first obtains a Performance Bond in the principal amount of Five Hundred Thousand Dollars (\$500,000.00).

A. Each Performance Bond shall be an insurance agreement providing surety for financial loss issued by a surety company that is admitted to do business in each of the states in which Defendants are doing business, that holds a Federal Certificate of Authority As Acceptable Surety On Federal Bond and Reinsuring, and that is rated A or better by Best Insurance Guide. The Performance Bond shall cite this Stipulated Final Judgment and Order for Permanent Injunction as the subject matter of the Bond and shall provide surety thereunder against financial

loss resulting from whole or partial failure of performance due, in whole or in part, to any conduct violating this Order or Section 5 of the FTC Act or NY Exec. Law § 63(12) and NY GBL §§ 349 and 350 in connection with advertising, promoting, offering for sale, or selling adult entertainment, or acting as a consultant in the above described activity. Each such Performance Bond shall be in favor of both (1) the Federal Trade Commission and the New York Attorney General's Office for the benefit of any consumer injured as a result of any false or misleading representation made by any such business or its employees, either directly or indirectly, and (2) any consumer so injured;

B. The Bond shall be deemed continuous and remain in full force and effect at all times during which Individual Defendant(s) engages or participates in, or serves as an officer, director or trustee of, any business entity engaged, in whole or in part, in advertising, promoting, or offering for sale, adult entertainment sold over the Internet, and for at least two (2) years after Individual Defendant(s) has ceased to engage or participate in any manner in any such activity.

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

D. Individual Defendant(s) shall provide the executed original of the Bond or Bonds required by this Section to the Director of Marketing Practices of the Federal Trade Commission at least ten (10) days before commencing the event precipitating the requirement of obtaining the bond;

E. Proceedings instituted under this Section 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 the Commission or the New York Attorney General's Office may initiate to enforce this Order;

F. Individual Defendant(s) shall not disclose the existence of the Performance Bond to any consumer, or other purchaser or prospective purchaser of any adult entertainment goods or services, without disclosing clearly and conspicuously at the same time: "AS REQUIRED BY ORDER OF THE U.S. DISTRICT COURT IN SETTLEMENT OF CHARGES THAT [NAME OF DEFENDANT] ENGAGED IN FALSE OR MISLEADING REPRESENTATIONS IN THE PROMOTION AND SALE OF ADULT ENTERTAINMENT GOODS OR SERVICES."; and

G. To the extent that the activities of Individual Defendant(s) are covered by the bond posted by Corporate Defendant(s) pursuant to Section IX, the Individual Defendant(s) need not post a separate bond to cover those activities.

GENERAL REQUIREMENTS

RECORD KEEPING

XI.

IT IS FURTHER ORDERED that for a period of four (4) years from the date of entry of this Order, Defendants, in connection with any business advertising, promoting, offering for sale, or selling adult entertainment products or services on or through the Internet, are hereby

restrained and enjoined from failing to create and retain in the normal course of business for a period of four (4) years following the date of such creation, unless otherwise specified:

A. Books, records, and accounts that, in reasonable detail, accurately and fairly reflect the cost of adult entertainment products or services sold, revenues generated, and the disbursement of such revenues;

B. Records accurately reflecting the name, address, and telephone number of each person employed by such business, including as an independent contractor, who is required to receive an IRS Form 1099 or W-2; that person's job title or position; the date upon which the person commenced work, and the date and reason for the person's termination, if applicable. The businesses subject to this Section XI shall retain such records for any terminated employee for a period of two (2) years following the date of termination:

C. Records identifying each consumer to whom such business sold any adult entertainment products or services, the amount paid, and the products or services purchased;

D. Records reflecting each consumer complaint or refund request, whether received directly, indirectly, or through any third party, including but not limited to the following information, if available:

1. If provided by a consumer, the consumer's name, street address, and telephone number;
2. The date and basis for the complaint or refund request;

3. The scope and result of any investigation concerning the complaint, and each response by each Defendant and the date of such response;
4. The date and resolution of the complaint or refund request, including but not limited to any records of credits or chargebacks provided to such consumer, regardless of whether such amounts were paid by Defendants or third parties, including such consumer's issuing banks; and
5. In the event of a denial of a refund request, the reason for the denial.

E. Representative copies of all advertisements, Web pages, Website source codes, banner ads, or other marketing materials created by Defendants for advertising, promoting, offering for sale or selling adult entertainment products or services on or through the Internet. Copies of the materials covered by this Section XI(E) shall be retained for three (3) years after the last date Defendants directly disseminate such materials or make them available for dissemination to others, whichever occurs last.

MONITORING COMPLIANCE WITH THIS ORDER

XII.

IT IS FURTHER ORDERED that, in order that compliance with the provisions of this Order may be monitored:

A. For a period of four (4) years from the date of entry of this Order, Defendants shall notify the Commission of the following:

1. Any changes in any individual Defendant's business address, business mailing address if different, and telephone number(s), within thirty (30) days of the date of such change;
2. Any changes in any Individual Defendant's employment status (including self-employment) within thirty (30) days of such change. Where any Individual Defendant's new employment involves advertising, promoting, offering for sale, or selling adult entertainment products or services on or through the Internet, such notice shall include the name and address of such new business that such Individual Defendant(s) is affiliated with or employed by, a statement of the nature of the business, and a statement of such Individual Defendant's duties and responsibilities in connection with the business or employment; and
3. Any proposed change in the corporate structure of a Corporate Defendant, or any proposed change in the structure of any business entity controlled by any Individual Defendant, which is, or was, involved in the business of advertising, promoting, offering for sale, or selling adult entertainment products or services on or through the Internet, such as creation, incorporation, dissolution, assignment, sale, merger, dissolution of

subsidiaries, filing of a bankruptcy petition, or change in the corporate name or address, or any other change that may materially affect compliance obligations arising out of this Order, within thirty (30) days after the effective date of any change, *provided, however*, that with respect to any proposed change in a corporation about which any Individual Defendant learns more than thirty (30) days after the date such action took place, such Individual Defendant shall notify the Commission as soon as practicable after learning of such change.

B. One hundred eighty (180) days after the date of entry of this Order, Defendants shall provide a written report to the Commission, sworn to under penalty of perjury, setting forth in detail the manner and form in which Defendants have complied and are complying with this Order. This report shall include, but not be limited to:

1. Each Defendant's then-current business mailing address and telephone number;
2. Each Individual Defendant's then-current employment, business addresses and telephone numbers, a description of the business activities of each such employer if related to advertising, promoting, offering for sale, or selling adult entertainment products or services on or through the Internet, and each Individual Defendant's title and responsibilities for each employer;

3. A copy of each acknowledgment of receipt of this Order obtained by Defendants pursuant to Section XV of this Order; and
4. A statement describing the manner in which each such Defendant has complied and is complying with: (a) the injunctive provisions of this Order, and (b) the consumer redress provisions of this Order.

C. Upon written request by a representative of the Commission, each Defendant shall submit additional written reports (under oath, if requested) and shall respond to any reasonable request to produce documents with respect to any conduct subject to this Order, within thirty (30) days from the date the request was received.

D. For the purposes of this Order, Defendants shall, unless otherwise directed by the Commission's authorized representatives, mail all written notifications to the Commission to

Associate Director
Marketing Practices
Federal Trade Commission
600 Pennsylvania Ave., N.W.
Washington, D.C. 20580

E. Upon ten (10) days written notice to Defendants, the New York Attorney General's Office shall have access from the Commission to any report, document, or other material produced by Defendants to the Commission pursuant to this Section XII; and

F. For purposes of the compliance reporting required by this Section, the Commission is authorized to communicate directly with Defendants, unless represented by counsel.

XIII.

IT IS FURTHER ORDERED that the Commission and the New York Attorney General's Office are authorized to monitor Defendants' compliance with this Order by all lawful means, including but not limited to the following:

A. The Commission and the New York Attorney General's office are authorized, without further leave of the Court, to obtain discovery from any person in the manner provided by the Federal Rules of Civil Procedure, Fed. R. Civ. P. 26-37, including the use of compulsory process pursuant to Fed. R. Civ. P. 45, for the purpose of monitoring and investigating Defendants' compliance with any provision of this Order,

B. The Plaintiffs are authorized to use representatives to pose as consumers or suppliers to Defendants, Defendants' employees, or any other entity managed or controlled in whole or in part by any Defendant, without the necessity of identification or prior notice; and

C. Nothing in this Order shall limit the Commission's and the New York Attorney General's Office's lawful use of compulsory process, pursuant to Sections 9 and 20 of the FTC Act, 15 U.S.C. §§ 49 and 57b-1, and NY Exec. Law § 63(12), respectively, to investigate

whether Defendants have violated any provision of this Order or Section 5 of the FTC Act, 15 U.S.C. § 45, NY Exec. Law, or NY GBL.

XIV.

IT IS FURTHER ORDERED that for a period of four (4) years from the date of entry of this Order, for the purpose of further determining compliance with this Order, Defendants shall permit representatives of the Commission and the New York Attorney General's Office, within ten (10) days of written notice from the Commission or the New York Attorney General's Office:

- A. Access during normal business hours to any office or facility storing documents of any business in which: (1) any Defendant is the majority owner or directly or indirectly manages or controls the business, and (2) the business is engaged in advertising, promoting, offering for sale, or selling adult entertainment products or services on or through the Internet. In providing such access, Defendants shall permit representatives of the Commission or the New York Attorney General's office to inspect and copy all documents relevant to any matter contained in this Order, and shall permit the Commission or the New York Attorney General's Office to remove any documents relevant to any matter contained in this Order for a period not to exceed five (5) business days so that the documents may be inspected, inventoried, and copied; and
- B. To interview the officers, directors, and employees, including all personnel involved in responding to consumer complaints or inquiries, whether designated as employees,

consultants, independent contractors or otherwise, of any business to which Paragraph A of this Section applies, concerning matters relating to compliance with the terms of this Order. The person interviewed may have counsel present.

XV.

IT IS FURTHER ORDERED that for a period of four (4) years from the date of entry of this Order, Defendants shall:

- A. Provide a copy of this Order to, and obtain a signed and dated acknowledgment of receipt of same from, each officer and director of the Corporate Defendants. Provide a copy of Sections II, III, IV and V of this Order, and obtain a signed and dated acknowledgment of receipt of the same, from each individual serving in a corporate management capacity involved in responding to consumer complaints or inquiries for any business engaged in advertising, promoting, offering for sale, or selling adult entertainment products or services on or through the Internet which any Defendant controls; and
- B. Maintain for a period of four (4) years after creation, and upon reasonable notice, make available to representatives of the Commission and the New York Attorney General's Office, the original signed and dated acknowledgments of the receipt of a copy of this Order or notice, as required in Paragraph A and B of this Section.

XVI.

IT IS FURTHER ORDERED that within ten (10) days after receipt by Defendants of this Order as entered by the Court, each Defendant shall submit to the Commission and the New York Attorney General's Office a truthful sworn statement in the form shown on Attachment A, that shall acknowledge receipt of this Order.

RELEASE

XVII.

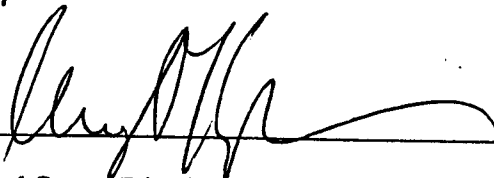
IT IS FURTHER ORDERED that Plaintiffs, for good and valuable consideration, herewith release and discharge the Released Parties from the Released Claims.

RETENTION OF JURISDICTION

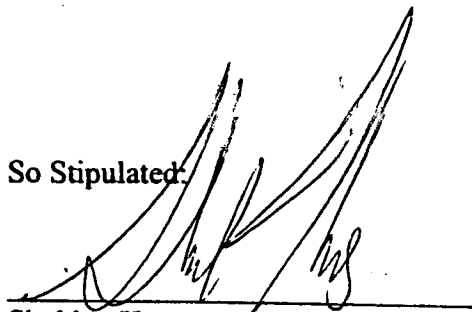
XVIII.

IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this matter for the purpose of enabling any of the parties to this Order to apply to the Court at any time for such further orders or directives as may be necessary or appropriate for the interpretation or modification of this Order, for the enforcement of compliance therewith, or the punishment of violations thereof.

SO ORDERED, this 16 day of Sept, 2001.


United States District Judge

So Stipulated:



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Date: 5/30/01

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Date: _____

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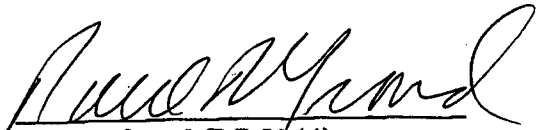
Date: _____

Attorney for David Bernstein

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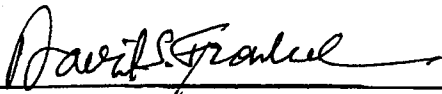
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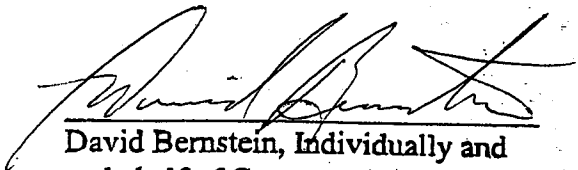


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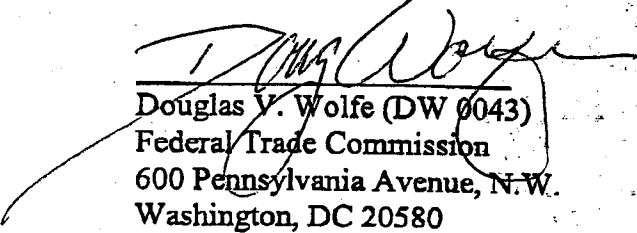
Attorney for David Bernstein

Date: _____

Date: 9/30/01

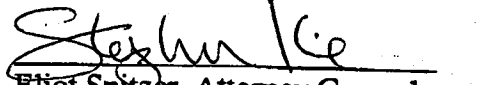

David Bernstein, Individually and
on behalf of Corporate Defendants

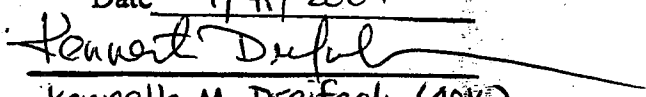
Date: 5/30/01


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Date 8/29/2001

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Chief, Internet Bureau
Office of the Attorney General

Attorney for Plaintiff New York State

ATTACHMENT A

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of New York

Attorneys for Plaintiff Federal Trade Commission

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

FEDERAL TRADE COMMISSION and THE
PEOPLE OF THE STATE OF NEW YORK,

Plaintiffs,

vs.

THE CRESCENT PUBLISHING GROUP, INC.,
et al.,

Defendants.

Civil Action No. 00-6315 (LAK)

ACKNOWLEDGMENT OF
RECEIPT OF FINAL ORDER

AFFIDAVIT OF [DEFENDANT'S NAME]

[DEFENDANT'S NAME], being duly sworn, hereby states and affirms as follows:

1. My name is [DEFENDANT'S NAME]. My current residence address is _____ . I am a citizen of the United States, and am over the age of eighteen. I have personal knowledge of the facts set forth in this Affidavit.

2. I am a defendant in *Federal Trade Commission and the People of the State of New York vs. The Crescent Publishing Group Inc., et. al., Case No. 00CIV 631K (LAK)*.

3. On _____ [date], I received a copy of the Stipulated Final Judgment and Order for Permanent Injunction and Monetary Settlement, which was signed by the Honorable Lewis A. Kaplan, and entered by the Court on _____ [date]. A true and correct copy of the Order I received is appended to this Affidavit.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed on _____ [date], at _____ [place]

[DEFENDANT'S NAME]

State of _____, City of _____

Subscribed and sworn to before me
this _____ day of _____, 2001.

Notary Public
My Commission Expires:
