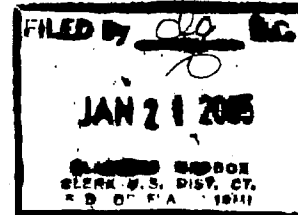


UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF FLORIDA

Case No. 04-22431-CIV-MARTINEZ



FEDERAL TRADE COMMISSION,

Plaintiff,

v.

AMERICAN ENTERTAINMENT
DISTRIBUTORS, INC. et al.,

Defendants.

STIPULATED
PRELIMINARY
INJUNCTION WITH
ASSET FREEZE AND
OTHER EQUITABLE
RELIEF AS TO
DEFENDANT RUSSELL
G. MACARTHUR, JR.

This matter comes before the Court on stipulation of Plaintiff Federal Trade Commission ("Commission") and Defendant Russell G. MacArthur, Jr. ("Russell MacArthur"). On September 28, 2004, the Commission filed a Complaint for 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), and moved *ex parte* for a Temporary Restraining Order ("TRO") pursuant to Rule 65 of the Federal Rules of Civil Procedure, Fed. R. Civ. P. 65. On September 29, 2004, this Court, having considered the Complaint, declarations, exhibits, and memorandum of law filed in support of Plaintiff's motion, issued a TRO with an asset freeze, appointed Gerald Wald as Receiver for the Corporate Defendants, and ordered other ancillary equitable relief.

The Court makes the following findings of fact and conclusions of law:

1. This Court has jurisdiction of the subject matter of this case and there is good cause to believe it will have jurisdiction over all parties hereto;
2. There is good cause to believe that Defendant Russell MacArthur has engaged and is likely to engage in acts and practices that violate Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the Commission's Rule entitled Disclosure Requirements and Prohibitions Concerning Franchise and Business Opportunity Ventures (the "Franchise Rule"), 16 C.F.R. Part 436, and that the Commission is therefore likely to prevail on the merits of this action;

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3. There is good cause to believe that immediate and irreparable harm will result from Russell MacArthur's ongoing violations of Section 5 of the FTC Act and the Franchise Rule unless Russell MacArthur is restrained and enjoined by Order of this Court;

4. There is good cause to believe that immediate and irreparable damage to the Court's ability to grant effective final relief for consumers in the form of monetary restitution will occur from the sale, transfer, or other disposition or concealment by Russell MacArthur of assets or records unless Russell MacArthur is immediately restrained and enjoined by Order of this Court;

5. Weighing the equities and considering the Commission's likelihood of ultimate success, a Preliminary Injunction with an asset freeze and other equitable relief is in the public interest;

6. Russell MacArthur, by agreeing to this Order, makes no admissions as to the truth of Plaintiff's allegations. In addition, the stipulation and entry of this Order is not to be construed or deemed a waiver of any claims or defenses that may be raised in this action; and

7. As an agency of the United States, no security is required of the Commission for issuance of a restraining order. Fed. R. Civ. P. 65(c).

DEFINITIONS

1. "Assets" means any legal or equitable interest in, right to, or claim to, any real and personal property, including, but not limited to chattel, goods, instruments, equipment, fixtures, general intangibles, inventory, checks, notes, leaseholds, effects, contracts, mail or other deliveries, shares of stock, lists of consumer names, accounts, credits, lines of credit, premises, receivables, funds, and cash, wherever located, whether in the United States or abroad;

2. "Business venture" means any written or oral business arrangement, however denominated, regardless of whether covered by the Franchise Rule, which consists of the payment of any consideration for:

- a. the right or means to offer, sell, or distribute goods or services (regardless of whether identified by a trademark, service mark, trade name, advertising, or other commercial symbol); and

b. more than nominal assistance to any person or entity in connection with or incident to the establishment, maintenance, or operation of a new business or the entry by an existing business into a new line or type of business;

2. "Corporate Defendants" means American Entertainment Distributors, Inc., American Entertainment Dispensers, Inc., American Entertainment Machines, Inc., Universal Technical Support, Inc., and Universal Cybercom Corporation, and their successors, assigns, affiliates or subsidiaries;

3. "Individual Defendants" means Russell MacArthur, Anthony Rocco Andreoni, James R. MacArthur, Mauricio Paz, and Miriam Smolyansky a.k.a Masha Tango;

4. "Defendant" means (a) Russell MacArthur; (b) any person insofar as he or she is acting in the capacity of an officer, agent, servant, employee or attorney of Russell MacArthur; and (c) any person acting in active concert or participation with any of the foregoing who receives actual notice of this Order by personal service or otherwise. *See* Fed. R. Civ. P. 65(d);

5. "Document" is synonymous in meaning and equal in scope to the usage of the term in Federal Rule of Civil Procedure 34(a), and includes writings, drawings, graphs, charts, photographs, audio and video recordings, computer records, and other data compilations from which information can be obtained and translated, if necessary, through detection devices into reasonably usable form. A draft or non-identical copy is a separate document within the meaning of the term.

ORDER

I. BAN AGAINST ANY INVOLVEMENT WITH BUSINESS VENTURES

IT IS THEREFORE ORDERED that Defendant, whether acting directly or through any corporation, limited liability company, subsidiary, division, or other device, is hereby enjoined from:

1. Advertising, marketing, promoting, offering for sale, or selling any business venture; and
2. Receiving any remuneration of any kind whatsoever from, holding any ownership interest, share, or stock in, or serving as an employee, officer, director, trustee, general manager

of, or consultant or advisor to, any business entity engaged in or assisting in the advertising, marketing, promoting, offering for sale, or sale of any business venture.

II. PROHIBITION AGAINST VIOLATION OF THE FRANCHISE RULE

IT IS FURTHER ORDERED that Defendant is hereby enjoined from violating or assisting others to violate any provisions of the Franchise Rule, 16 C.F.R. Part 436, including but not limited to:

1. failing to provide a prospective purchaser with a complete and accurate disclosure document as prescribed by the Franchise Rule, 16 C.F.R. § 436.1(a);

2. failing to provide a prospective purchaser with an earnings claim document as prescribed by the Franchise Rule, 16 C.F.R. § 436.1(b)-(e);

3. failing to disclose, in immediate conjunction with any generally disseminated ("advertised") earnings claim, information required by the Franchise Rule including the number and percentage of prior purchasers known by the Defendants to have achieved the same or better results, as required by the Franchise Rule, 16 C.F.R. § 436.1(e)(3)-(4);

4. failing to have a reasonable basis for any earnings claim at the time such claim is made, as required by the Franchise Rule, 16 C.F.R. § 436.1(b)-(e);

5. failing to disclose, in immediate conjunction with any earnings claim, and in a clear and conspicuous manner, that material which constitutes a reasonable basis for the earnings claim is available to the prospective purchasers;

6. failing to provide material which constitutes a reasonable basis for any earnings claim to prospective purchasers, the Commission, or its staff upon reasonable demand; or

7. making any statement that contradicts information required to be disclosed in the disclosure document. 16 C.F.R. § 436.1(f).

III. ASSET FREEZE

IT IS FURTHER ORDERED that Defendant is hereby enjoined from:

1. Transferring, liquidating, converting, encumbering, pledging, loaning, selling, concealing, dissipating, disbursing, assigning, spending, withdrawing, granting a lien or security interest or other interest in, or otherwise disposing of any funds, real or personal property, accounts, contracts, consumer lists, shares of stock, or other assets, or any interest therein,

wherever located, that are: (1) owned or controlled by Russell MacArthur, in whole or in part, for the benefit of Russell MacArthur; (2) in the actual or constructive possession of Russell MacArthur; or (3) owned, controlled by, or in the actual or constructive possession of any corporation, partnership, or other entity directly or indirectly owned, managed, or controlled by Russell MacArthur, including, but not limited to, any assets held by or for, or subject to access by, Russell MacArthur, at any bank or savings and loan institution, or with any broker-dealer, escrow agent, title company, commodity trading company, precious metals dealer, or other financial institution or depository of any kind;

2. Opening or causing to be opened any safe deposit boxes titled in the name of Russell MacArthur, or subject to access by him;

3. Obtaining a personal or secured loan encumbering the assets of Russell MacArthur; and

4. Incurring liens or other encumbrances on real property, personal property or other assets in the name, singly or jointly, of Russell MacArthur.

The assets affected by this Section shall include: (1) all assets of any of Russell MacArthur as of the time this Order was entered; and (2) assets obtained after the time this Order was entered if the assets are derived from the conduct alleged in the Commission's Complaint.

IV. RETENTION OF ASSETS AND RECORDS BY FINANCIAL INSTITUTIONS

IT IS FURTHER ORDERED that any financial or brokerage institution, business entity, or person served with a copy of this Order that holds, controls or maintains custody of any account or asset of Russell MacArthur shall:

1. Hold and retain within its control and prohibit the withdrawal, removal, assignment, transfer, pledge, encumbrance, disbursement, dissipation, conversion, sale, or other disposal of any such asset, except by further order of the Court;

2. Deny Defendant access to any safe deposit box that is titled in the name, individually or jointly or otherwise subject to access by Russell MacArthur;

3. Provide the Commission's counsel, within five (5) business days of receiving a copy of this Order, a sworn statement setting forth:

- a. the identification number of each such account or asset titled in the name, individually or jointly, of Russell MacArthur, or held on behalf of, or for the benefit of Russell MacArthur;
- b. the balance of each such account, or a description of the nature and value of such asset as of the close of business on the day on which this Order is served, and, if the account or other asset has been closed or removed, the date closed or removed, the total funds removed in order to close the account, and the name of the person or entity to whom such account or other asset was remitted; and
- c. the identification of any safe deposit box that is titled in the name, individually or jointly, of Russell MacArthur, or is otherwise subject to access by Russell MacArthur; and

4. Upon request by the Commission; promptly provide the Commission with copies of all records or other documentation pertaining to each such account or asset, including but not limited to originals or copies of account applications, account statements, signature cards, checks, drafts, deposit tickets, transfers to and from the accounts, all other debit and credit instruments or slips, currency transaction reports, 1099 forms, and safe deposit box logs.

V. PRESERVATION OF RECORDS

IT IS FURTHER ORDERED that Defendant is hereby enjoined from destroying, erasing, mutilating, concealing, altering, transferring or otherwise disposing of, in any manner, directly or indirectly, any documents that relate to the business, business practices, assets, or business or personal finances of any Corporate Defendant or Individual Defendant.

IT IS FURTHER ORDERED that Defendant is hereby enjoined from failing to create and maintain documents that, in reasonable detail, accurately, fairly, and completely reflect the incomes, disbursements, transactions, and use of money of or by Russell MacArthur.

VI. FINANCIAL DISCLOSURES

IT IS FURTHER ORDERED that Russell MacArthur, within forty-eight (48) hours of a request by the Commission, shall prepare and deliver to counsel for the Commission supplemental information required to be provided by the financial statement forms attached to

the Order of the Court of September 29, 2004 as Attachment A (Financial Statement of Individual Defendant) and Attachment B (Financial Statement of Corporate Defendant), for himself individually and for each business entity under which he conducts business or of which he is an officer, and for each trust for which he is a trustee. The financial statements shall include a full accounting of all funds and assets, whether located inside or outside of the United States, that are: (a) titled in the name of Russell MacArthur, jointly, severally or individually; (b) held by any person or entity for the benefit of Russell MacArthur; or (c) under the direct or indirect control of Russell MacArthur.

VII. CONSUMER CREDIT REPORTS

IT IS FURTHER ORDERED that pursuant to Section 604(1) of the Fair Credit Reporting Act, 15 U.S.C. § 1681b(1), any consumer reporting agency may furnish a consumer report concerning Russell MacArthur to the Commission.

VIII. FOREIGN ASSET REPATRIATION

IT IS FURTHER ORDERED that within five (5) business days following the entry of this Order, Russell MacArthur shall:

1. Provide the Commission with a full accounting of all funds, documents, and assets outside of the United States which are: (1) titled in the name, individually or jointly, of Russell MacArthur; or (2) held by any person or entity for the benefit of Russell MacArthur; or (3) under the direct or indirect control, whether jointly or singly, of Russell MacArthur.

2. Transfer to the territory of the United States and deliver to the Receiver for American Entertainment Distributors, Inc., appointed by Section X of the Order of this Court filed on October 21, 2004, all funds, documents, and assets located in foreign countries which are: (1) titled in the name individually or jointly of Russell MacArthur; or (2) held by any person or entity, for the benefit of Russell MacArthur; or (3) under Russell MacArthur's direct or indirect control, whether jointly or singly;

3. Provide the Commission access to all records of accounts or assets of Russell MacArthur held by financial institutions located outside the territorial United States by signing the Consent to Release of Financial Records attached to this Order as Attachment C.

IX. INTERFERENCE WITH REPATRIATION

IT IS FURTHER ORDERED that Defendant is hereby enjoined from taking any action, directly or indirectly, which may result in the encumbrance or dissipation of foreign assets, or in the hindrance of the repatriation required by the preceding Section of this Order, including but not limited to:

1. Sending any statement, letter, fax, e-mail or wire transmission, telephoning or engaging in any other act, directly or indirectly, that results in a determination by a foreign trustee or other entity that a "duress" event has occurred under the terms of a foreign trust agreement until such time that all assets have been fully repatriated pursuant to the preceding Section of this Order;

2. Notifying any trustee, protector or other agent of any foreign trust or other related entities of either the existence of this Order, or of the fact that repatriation is required pursuant to a Court Order, until such time that all assets have been fully repatriated pursuant to the preceding Section of this Order.

X. ACCESS TO BUSINESS OFFICES AND RECORDS

IT IS FURTHER ORDERED that Defendant shall allow representatives of the Commission reasonable access to all premises where the Defendant is conducting or has conducted business and to all premises where any of Defendant's business records may be located, so that the representatives of the Commission may inspect all documents of the Defendant and may copy such documents either on or off the premises.

XI. EXPEDITED DISCOVERY

IT IS FURTHER ORDERED that, pursuant to Fed. R. Civ. P. 26(d), discovery may commence at any time after the entry of this Order.

XII. SERVICE BY FACSIMILE AUTHORIZED

IT IS FURTHER ORDERED that copies of this Order may be served by any means, including facsimile transmission, upon any financial institution or other entity or person that may have possession, custody, or control of any documents or assets of Russell MacArthur, or that may otherwise be subject to any provision of this Order. Service upon any branch or office of any financial institution shall effect service upon the entire financial institution.

XIII. DEFENDANTS' DUTY TO DISTRIBUTE ORDER

IT IS FURTHER ORDERED that Russell MacArthur shall immediately provide a copy of this Order to each affiliate, subsidiary, division, sales entity, successor, assign, officer, director, employee, independent contractor, client company, agent, attorney, spouse and representative of Defendant, and shall, within ten (10) days from the date of entry of this Order, provide the Commission with a sworn statement that (A) confirms that Defendant has provided copies of the Order as required by this paragraph; and (B) lists the names and addresses of each entity or person to whom Defendant provided a copy of the Order. Furthermore, Russell MacArthur shall not take any action that would encourage officers, agents, directors, employees, salespersons, independent contractors, attorneys, subsidiaries, affiliates, successors, assigns or other persons or entities in active concert or participation with Defendant to disregard this Order or believe that they are not bound by its provisions.

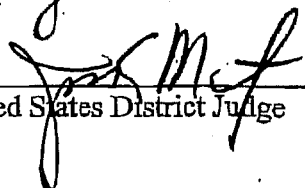
XIV. SERVICE UPON PLAINTIFF

IT IS FURTHER ORDERED that Defendant shall serve all pleadings, memoranda, correspondence, affidavits, declarations, or other documents related to this case by facsimile transmission to (202) 326-3395, by hand delivery to the offices of the Federal Trade Commission, at 600 Pennsylvania Avenue, NW, Room H-238, Washington, DC 20580; and addressed to the attention of Deborah J. Matties, or by overnight shipment through a third-party commercial carrier for delivery at this address.

XV. RETENTION OF JURISDICTION

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

SO ORDERED, this 21 day of January, 2005. *ruic Pro Tunc 4 Jan 2005*


United States District Judge

STIPULATED BY:

[Signature]
Mark G. Patey, Esq.
Counsel for Defendant Russell G. MacArthur

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Date: 1/3 2005

[Signature]
Russell G. MacArthur, Jr.

Date: 1-3 2005

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Date: December 30, 2004