

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF ARIZONA

FEDERAL TRADE  
COMMISSION,

Plaintiff,

v.

JEWELWAY  
INTERNATIONAL, INC., an  
Arizona Corporation,

BRUCE A. CARUTH,  
individually and as an officer  
of JewelWay International,  
Inc.,

ROBERT J. CHARETTE, JR.,  
individually and as an officer  
of JewelWay International,  
Inc., and ROBERT J.  
CHARETTE, JR., and  
ANGELA D. CHARETTE,  
Husband and Wife, and

DONILYN A. WALDEN,  
individually and as an officer  
of JewelWay International,  
Inc., and

GREG G. STEWART, an  
individual, and GREG G.  
STEWART AND BEVERLY  
STEWART, Husband and  
Wife,

Defendants.

CV-97-383 TUC JMR

**STIPULATED FINAL JUDGMENT AND ORDER  
FOR PERMANENT INJUNCTION AS TO  
DEFENDANTS JEWELWAY INTERNATIONAL,  
INC., BRUCE A. CARUTH, ROBERT J.  
CHARETTE, JR., ANGELA D. CHARETTE,  
DONILYN A. WALDEN, GREG G. STEWART,  
AND BEVERLY STEWART**

Plaintiff, the Federal Trade Commission (“Commission or FTC”), filed its Complaint and *Ex Parte* Motion for a Temporary Restraining Order and other equitable relief on June 24, 1997. The Court partially granted plaintiff’s request for a temporary restraining order on June 25, 1997. The parties stipulated to entry of a preliminary injunction on July 1, 1997.

The Complaint charged defendants JewelWay International, Inc., Bruce A. Caruth, Robert J. Charette, Jr., Donilyn A. Walden, and Greg G. Stewart with violations of Section 5 of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. § 45. The Commission and defendants JewelWay International, Inc., Bruce A. Caruth, Robert J. Charette, Jr., Donilyn A. Walden, and Greg G. Stewart, and relief defendants Angela D. Charette and Beverly Stewart, represented by the attorneys whose names appear hereafter, have agreed to entry of this Stipulated Final Judgment and Order for Permanent Injunction (“Order”) by the Court to resolve all matters in dispute in this action, without admission of liability, and without trial or adjudication of any issue of law or fact herein.

## FINDINGS

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

## DEFINITIONS

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

A. “Defendants” means JewelWay International, Inc., Bruce A. Caruth, Robert J. Charette, Jr., Donilyn A. Walden, and Greg G. Stewart.

B. “Relief defendants” means Angela D. Charette and Beverly Stewart.

C. “Multi-level marketing program” means any marketing program in which sales revenue comes primarily from retail sales to persons who are not connected in any way to the company engaged in multi-level marketing (“the company”), including as representatives. Under this definition, sales to businesses or corporations connected to the company or to its participants, or to members of a participant’s household, or otherwise not solely for the purpose of sale of the product to a person with no connection to the company’s sales force, shall not be considered retail sales; however, should a retail customer subsequently establish such a connection by becoming a representative within ninety (90) days, any prior sales made to that customer shall be considered an internal sale from the time of sale and shall not be considered a retail sale for any purpose at any time. This definition also requires that the company institute and enforce rules to ensure it is not selling a program where sales revenues come primarily from recruiting additional representatives rather than by the sale of goods or services to persons not eligible to recruit representatives into the marketing program.

D. “Chain or pyramid marketing program” is a sales device whereby a person, under a condition that he or she make a payment, directly or indirectly, even if a good or service is received in return for the payment, is granted a license or right to recruit for consideration one or more additional persons who are also granted a license or right upon condition of making a payment, directly or indirectly, even if a good or service is received in return for the payment, and may further perpetuate the chain or pyramid of persons who are granted a license or right upon such condition. A limitation as to the number of persons who may participate, or the presence of additional conditions affecting eligibility for the above license or right to recruit or the receipt of the profits therefrom, does not change the identity of the program as a chain or pyramid marketing program.

E. “Representative” means any person or entity that pays money to defendants in return for the right to (1) recruit additional participants, or have additional participants placed by the promoter or any other person into the participant’s downline, tree, cooperative, income center, or other similar program grouping; (2) sell goods or services; and (3) receive payment or other compensation.

F. “Product” means anything purchased by a representative except sales aids.

## ORDER

### I.

**IT IS THEREFORE ORDERED** that defendants, their successors, assigns, officers, agents, servants, employees, distributors, representatives and those persons in active concert or participation with them who receive actual notice of this Order by personal

service or otherwise, are permanently restrained and enjoined from engaging, participating, or assisting in any manner or capacity whatsoever, directly, in concert with others, or through any business entity or other device, in the advertising, promoting, offering for sale, or sale of any pyramid marketing program, except that defendants are not enjoined from engaging, participating, or assisting in multi-level marketing programs subject to the terms of this Order.

## II.

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

- A. Misrepresenting, directly or by implication, the earnings any person actually made, is making, or potentially can make;
- B. Misrepresenting, directly or by implication, the amount of sales any person actually made, is making, or potentially can make;
- C. Misrepresenting, directly or by implication, the discounts or benefits any person actually received, is receiving, or potentially can receive;
- D. Making any statement relating to compensation or rewards that were, are, or will be received by a representative or representatives through participation in the multi-level marketing program to any person without also disclosing the percentage of representatives who have received such compensation or rewards; the requirements of this paragraph apply to statements relating to such compensation or rewards including, but not limited to, trips, automobiles, homes, earnings, but excluding general descriptions of the compensation or rewards that may be received by participation in the program;
- E. Tying, implicitly or explicitly, a participant's purchase of product or service for personal use or consumption with his level of compensation or any other business benefit, or his qualification or certification as a participant;
- F. Making any statement that a person is required, or that it would be beneficial to that person, to make a product purchase in order to participate in the program, except as it relates to success in making retail sales;

G. Refusing to redeem any currently existing or prospectively issued gift or product certificate for product unless an expiration date is clearly stated on such certificate and that expiration date has passed;

H. Misrepresenting, directly or by implication, the value or characteristics of any product or service available for purchase;

I. Representing, directly or by implication, that defendants have received any type of approval or endorsement from the Federal Trade Commission for any product or service marketed or sold by defendants; and

J. Misrepresenting any material fact.

### III.

**IT IS FURTHER ORDERED** that defendants, their successors, assigns, officers, agents, servants, employees, distributors, independent contractors, representatives, and those persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise, whether directly, in concert with others, or through any business entity or other device, are permanently restrained and enjoined from permitting independent contractors or representatives from placing advertisements containing any trade names used by defendants without prior approval from defendants.

### IV.

**IT IS FURTHER ORDERED** that defendants, their successors, assigns, officers, agents, servants, employees, distributors, independent contractors, and those persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise, in connection with the advertising, promoting, offering for sale, sale, or distribution of any product or service by means of multi-level marketing, are hereby permanently restrained and enjoined from failing to pay refunds according to the following terms, which must be disclosed in a clear and conspicuous manner: (1) 100% of the purchase price if the purchaser (whether a representative or a retail customer) requests a refund within sixty days of delivery for any reason; (2) 100% of the purchase price less a 10% restocking fee if a representative requests a refund within sixty-one days to one year after the date of delivery; and (3) 100% of the purchase price if the purchaser requests a refund within sixty days of delivery because the product is defective. Refunds under subsections (1), (2) or (3) may be offset by any compensation received by the representative as a result of such purchase. Refunds under subsections (1) or (2) may also be conditioned upon the return of the product in resalable condition (i.e., it has not been worn and is in its original packaging). Refunds under subsection (1), (2) or (3) may also

be conditioned on the termination of the representative's affiliation with defendants or any entity under their control.

## V.

**IT IS FURTHER ORDERED** that defendants, their successors, assigns, officers, agents, servants, employees, distributors, independent contractors, representatives, and those persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise, in connection with the advertising, promoting, offering for sale, sale, or distribution of any product or service sold by means of multi-level marketing are permanently enjoined and restrained from failing to perform a verification for each sale. Defendants shall give each new representative a written verification form at the time such new representative becomes affiliated with the marketing program. The verification form may not be signed prior to or on the same day that the representative becomes affiliated with the marketing program. The verification form shall contain only the language contained in Exhibit 1 to this Order or such other language approved by the FTC. Defendants shall retain in chronological order the original of each complete verification form and shall review it to ensure that the representative received accurate information and that the provisions of this Order were not violated, and shall provide such verifications to the Commission upon request. If the representative did not receive accurate information or a provision of this Order was violated, defendants shall immediately inform the representative in writing that he or she did not receive accurate information and that he or she has the right to receive a full refund of the purchase price. Defendants shall not deposit any portion of a representative's payment until defendants have received and reviewed the representative's completed verification form and determined that the representative received accurate information. In the event defendants do not receive a completed, dated, and signed verification form within sixty days of sending the form to a representative, defendants shall immediately return all funds paid by the representative.

## VI.

**IT IS FURTHER ORDERED** that defendants, their successors, assigns, officers, agents, servants, employees, distributors, independent contractors, representatives, and those persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise, in connection with the advertising, promoting, offering for sale, sale, or distribution of any product or service by means of multi-level marketing, are hereby permanently restrained and enjoined from:

A. Failing to take reasonable steps sufficient to monitor and ensure that all agents, representatives, distributors, employees, or independent contractors engaged in marketing

or sales comply with Paragraphs I-V of this Order. Reasonable steps shall include, at a minimum, setting up a compliance program which conducts random, blind testing of the oral representations made by any agent or representative of the company engaged in multi-level marketing; spot checking of representatives to ensure that no misrepresentations were made; ascertaining the number and nature of any consumer complaints; and requiring any representative to submit proof of retail sales, including the name and address of all retail customers. Defendants shall, for a period of five years, submit to the Federal Trade Commission, on an annual basis beginning one year from the date of entry of this Order, a summary report of the data concerning the amount of retail sales, which shall include a comparison of the amount of retail sales revenues received from representatives to total product sales revenues received from representatives. Such report shall be submitted to: Regional Director, Federal Trade Commission, Denver Regional Office, 1961 Stout Street, Suite 1523, Denver, Colorado 80294;

B. Continuing to retain any person, whether as an employee, distributor, independent contractor, or representative once any defendant knows or should know, either through steps taken pursuant to the requirements of this Paragraph, Paragraph V, or otherwise, that such person is or has engaged in conduct prohibited by Paragraphs I-V of this Order. Defendants shall terminate such person upon his or her second action of any sort prohibited by Paragraphs I-V;

C. Failing to investigate and make a good faith effort to resolve promptly any consumer complaint received by any defendant from any third party such as a consumer, government agency, or Better Business Bureau, regarding any sales promotion or sale of any product or service, and to notify the consumer of the resolution of the complaint and the reason therefore; and

D. Failing to cooperate fully with the Commission and its agents in all attempts to collect amounts due pursuant to this Order. Should any defendant fail to pay fully and under the terms specified in Paragraph VII, the defaulting defendant(s) shall provide the Commission with his or her federal and state tax returns for the preceding two years, and with full financial disclosure, in the form attached as Exhibit 2 hereto, within ten business days of receiving a request from the Commission to do so. The Commission may verify all information provided on the financial disclosure form with all appropriate third parties, including but not limited to financial institutions.

## VII.

**IT IS FURTHER ORDERED** that judgment is hereby entered, jointly and severally, in the amount of:

A. Five million dollars (\$5,000,000) against defendants Bruce A. Caruth, Robert J. Charette, Jr., Donilyn A. Walden, and their successors and assigns, and against relief defendant Angela D. Charette, and her successors and assigns;

B. Defendants and relief defendant Angela D. Charette shall pay this judgment to the Commission or its designee within five days of notice of entry of this Order. The Commission shall, if practical, propose a plan to the Court to conduct a claims procedure which will (1) enable consumers who purchased items from or sent money to JewelWay to make claims against those funds, and (2) provide a means of distributing the funds recovered to those consumers who have approved claims. Defendants and relief defendant Angela D. Charette forever disclaim all right, title, and interest in all sums paid. None of these funds shall be returned to defendants or to relief defendant Angela D. Charette, their successors, heirs, or assigns. If the Commission determines, in its sole discretion, that redress to purchasers is wholly or partially impractical, any funds not so used shall be deposited in the United States Treasury. No portion of any payments under the judgment herein shall be deemed a payment of any fine, penalty, or punitive assessment;

C. If a defendant or relief defendant fails to timely pay the judgment amount as set forth above, interest will accrue on the judgment at the legal rate; and

D. Except as set forth below, each party shall bear its own costs and attorneys fees incurred in connection with this action; provided, however, in the event the Commission initiates proceedings to enforce the provisions of this Order, including payments due, and the Court determines that any defendant has violated any term or provision of this Order, such defendant shall pay the costs and attorneys fees incurred by the Commission in connection with proceedings to enforce this Order; provided, further, upon the Court's finding that any defendant violated any term or provision of this Order, the facts as alleged in the Complaint shall be taken as true in any subsequent litigation filed by the Commission to enforce its rights pursuant to this Order, including but not limited to a nondischargeability complaint in any subsequent bankruptcy proceeding.

## VIII.

**IT IS FURTHER ORDERED** that the freeze of individual defendants' and relief defendants' assets shall be lifted upon payment by the defendants referenced in Paragraph VII.A. and relief defendant Angela D. Charette of the amounts stated in Paragraph VII; provided however, the asset freeze shall be lifted in the judgment amount against each defendant and relief defendant to allow payment to the Commission upon entry of this Order.



**IX.**

**IT IS FURTHER ORDERED** that the appointment by this Court of James C. Sell as Temporary Receiver for JewelWay International, Inc., is vacated upon (A) defendants' payments to the Commission pursuant to Paragraph VII; (B) payment of all Court-approved fees and expenses of the Receiver; (C) the preparation of the Receiver's final report; and (D) the Receiver having received an exoneration of the Receiver's bond and a discharge from the Court.

**X.**

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

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

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

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

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

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

(2) the written complaint, if any, and the date of the complaint or refund request;

- (3) the basis of the complaint and the nature and the result of any investigation conducted as to the validity of any complaint;
- (4) each response by any defendant and the date of the response;
- (5) any final resolution and the date of the resolution; and
- (6) in the event of a denial by any defendant of a refund request, the reason for such denial, or if cured, the basis for determining that such complaint has been cured; and

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

## XI.

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

- A. Access during normal office hours to any office or business facility in which documents relating to compliance with the terms of this Order are stored or held, to inspect and copy such documents; and
- B. To interview current officers, directors, distributors, independent contractors, representatives, and employees of any entity directly or indirectly under their control or under common control with them, relating to compliance with the terms of this Order without restraint or interference from any defendant at a location reasonably convenient to defendants and the person to be interviewed. The person interviewed may have counsel present.

Provided further, that plaintiff may otherwise monitor defendants' compliance with this Order by all lawful means available, including the use of investigators posing as consumers and suppliers.

## XII.

**IT IS FURTHER ORDERED** that defendants Bruce A. Caruth, Robert J. Charette, Jr., Donilyn A. Walden, and Greg G. Stewart, for a period of five years from entry of this Order, shall give written notice to the Commission of his or her affiliation or employment with any business entity within twenty-one days of the commencement of such affiliation or employment. Such notice shall include the new business name and address, a statement of the nature of the business, and of his or her position and responsibilities with the business.

## XIII.

**IT IS FURTHER ORDERED** that defendants Bruce A. Caruth, Robert J. Charette, Jr., Donilyn A. Walden, and Greg G. Stewart, for a period of five years from the date of entry of this Order, shall, in order to enable the Commission to monitor compliance with the provisions of this Order, give written notice within twenty-one days to the Commission indicating any change in their residential address.

## XIV.

**IT IS FURTHER ORDERED** that defendants shall notify the Commission ten days prior to any proposed material change in JewelWay International, Inc., including a dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, declaration of bankruptcy or any other material change in JewelWay International, Inc., that may affect compliance obligations under this Order.

## XV.

**IT IS FURTHER ORDERED** that defendants and their successors and assigns, for a period of five years from the date of entry of this Order, for the purposes of determining or securing compliance with this Order, when acting in an individual capacity, or in connection with any entity in which any defendant has an ownership interest or is a director, officer (or comparable position with a non-corporate entity), or person that formulates policies or procedures, shall, within sixty days of a written request from the Commission:

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

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

## XVI.

**IT IS FURTHER ORDERED** that defendants, within two weeks of entry of this Order, shall publish the injunctive relief provisions of this Order on the World Wide Web and shall distribute a copy of the injunctive relief provisions of this Order to each principal, officer, director, employee, agent or other person having advertising, marketing, distribution, sales, or managerial responsibilities relating to any defendant's business, to any other person engaged in activities that are the subject of this Order, and to each person in active concert or participation with them, excluding representatives, and obtain a signed and dated acknowledgment of receipt of the same.

## XVII.

**IT IS FURTHER ORDERED** that defendants, within two weeks of this Order, shall distribute two copies of the letter attached herein as Exhibit 3 to any person who is an active representative as of the date of this Order, and obtain a signed and dated acknowledgment of receipt of the same. Additionally, until January 1, 1998, defendants shall, within two weeks of renewal, send two copies of the letter attached herein as Exhibit 3 to any person who was inactive as of the date of this order and who renews representative status.

## XVIII.

**IT IS FURTHER ORDERED** that, for a period of five years from the date of entry of this Order, in connection with any entity in which any defendant has an ownership interest or is a director, officer (or comparable position with a non-corporate entity), defendants shall distribute a copy of the injunctive relief provisions of this Order to any

future officer, director, managing agent, or employee of any defendant, and obtain a signed and dated acknowledgment of receipt of the same.

### XIX.

**IT IS FURTHER ORDERED** that defendants shall maintain, and upon reasonable notice make available to representatives of the Commission, the original signed and dated acknowledgments of receipts required by paragraphs XVI - XVIII.

### XX.

**IT IS FURTHER ORDERED** that within ten business days after notice of entry of this Order, each defendant shall submit to the Commission a truthful sworn statement in the form of Exhibit 4 to this Order, that shall reaffirm and attest to the truthfulness, accuracy, and completeness of the financial statements that were executed on behalf of: (A) defendant Robert J. Charette, Jr. on June 30, 1997, (B) defendants Bruce A. Caruth and Donilyn A. Walden on July 9, 1997, (C) defendant Greg G. Stewart and relief defendant Beverly Stewart on June 10, 1997 [sic --filed with Court on July 10, 1997], and (D) defendant JewelWay, International, Inc., on July 28, 1997. The Commission's agreement to this Order is expressly premised upon the truthfulness, accuracy, and completeness of defendants' and relief defendants' financial condition as represented in the financial statement of each as referenced above, each of which contains material information upon which the Commission relied in negotiating and agreeing to the amount and/or terms of the redress payment stated in this Order. If, upon motion by the Commission, this Court finds that any of the defendants or relief defendants failed to file the sworn statements required by this Paragraph, or filed a financial statement that failed to disclose any material asset, or materially misrepresented the value of any asset, or made any other material misrepresentation in or omission from the financial statement, this Order herein shall be reopened for the purpose of modifying the amount and/or terms of the redress payment from any such defendant or relief defendant; provided, however, that in all other respects this Order shall remain in full force and effect unless otherwise ordered by the Court; and provided further, that proceedings instituted under this Paragraph 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 may initiate to enforce this Order. Solely for purposes of this Paragraph, each defendant and relief defendant waives any right to contest any of the allegations in the Commission's Complaint.

### XXI.

**IT IS FURTHER ORDERED** that the expiration of any requirement imposed by this Order shall not affect any other obligation arising under this Order. This Court shall retain

jurisdiction of this matter for all purposes.

## XXII.

**IT IS FURTHER ORDERED** that defendants shall submit any information, notifications, or reports required by this Order to: Regional Director, Federal Trade Commission, Denver Regional Office, 1961 Stout Street, Suite 1523 Denver, CO 80294-0101, or at such future address as the Commission may designate in writing to defendants.

## XXIII.

The parties hereby stipulate and agree, without further notice to any of them, to entry of the foregoing order, which shall constitute a final judgment in this action. Defendants and relief defendants hereby waive any claim any of them may have under the Equal Access to Justice Act, 28 U.S.C. § 2412, amended by PL 104-121, 110 Stat. 847, 863-64 (1996), concerning the prosecution of this action. Defendants further agree to release the Receiver, his staff, his Court- appointed attorneys, accountants, and consultants from any and all claims they may have against him or against his agents to the date of this Order.

SIGNED AND STIPULATED BY:

FEDERAL TRADE COMMISSION

Dated: , 1997

Scott R. Bialecki  
Catherine C. Crane

FOR DEFENDANTS:

Dated: , 1997

Bruce A. Caruth, individually and on behalf of defendant JewelWay International, Inc.

Dated: , 1997

Robert J. Charette, Jr. individually and on behalf of defendant JewelWay International, Inc.

Dated: , 1997

Donilyn A. Walden individually and on behalf of defendant JewelWay International, Inc.

Dated: , 1997

Greg G. Stewart individually

Dated: , 1997

Beverly Stewart individually

Dated: , 1997

Angela D. Charette individually  
JEWELWAY INTERNATIONAL, INC.

Dated: , 1997By:

Bruce A. Caruth  
President

Approved as to Form:

Dated: , 1997

Stephen Barkley  
Mark D. Lammers  
DeConcini McDonald Yetwin & Lacy, P.C.

Attorneys for Defendants JewelWay International Inc., Bruce A. Caruth, Robert J. Charette, Jr., and Donilyn A. Walden

Dated: , 1997

Bruce Heurlin  
Karp, Heurlin & Weiss, P.C.  
Attorney for Defendants Greg G. Stewart & Beverly Stewart

Dated: , 1997

Arthur Alexander  
Attorney for Defendant Angela D. Charette

There being no just reason for delay, the Clerk of the Court is hereby directed to enter this Order.

**IT IS SO ORDERED.**

**Dated this \_\_\_ day of \_\_\_\_\_, 1997**

The Honorable John M. Roll  
United States District Judge

**Exhibit 1**

You must sign this form at least one day after you fill out your representative application and send it to JewelWay within five (5) days. **Your order cannot be processed until we receive this signed form.**

1. Before purchasing any product or service, did you receive a copy of the company's policies and procedures? Yes \_\_\_\_\_ No \_\_\_\_\_
2. Did anyone explain to you that the company's sales revenues must come primarily from product sales to persons outside the organization? Yes \_\_\_\_\_ No \_\_\_\_\_
3. Did anyone explain to you that you have a right to receive a refund for product purchases, under certain conditions, within one year of purchase? Yes \_\_\_\_\_ No \_\_\_\_\_
4. Did anyone represent to you that you were required, or that it would be beneficial for you, to make a product purchase in order to participate in the program (except as it relates to success in making retail sales)? Yes \_\_\_\_\_ No \_\_\_\_\_
5. Did anyone make any statement to you relating to compensation or rewards (for example, a trip, an automobile, a home, or money) that were, are, or will be received by a representative or representatives through participation in the marketing program, without also disclosing (1) the number of representatives who are receiving at least the same rewards; and (2) the percentage of total representatives who are receiving at least the same rewards (excluding general descriptions of rewards that may be received by participation in the program)? Yes \_\_\_\_\_ No \_\_\_\_\_

\_\_\_\_\_  
Date of Purchase

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address



---

City, State, Zip

---

Telephone

### Exhibit 3

#### JEWELWAY LETTERHEAD

Dear Representative:

A few months ago, I sent you a letter informing you that JewelWay had stipulated to an Order that was approved by a Federal District Court and explaining your responsibilities under that Order. The Order was entered during a preliminary phase of a lawsuit by the Federal Trade Commission against JewelWay. JewelWay has recently entered into a Stipulated Final Judgment and Order for Permanent Injunction as a final settlement of that lawsuit with the FTC. This Final Judgment was approved by the Court on [date]. While many of the provisions of the recent settlement are the same as those contained in the earlier Order, there are a few changes.

First, in addition to the specific misrepresentations that were mentioned in my previous letter as being prohibited, you may not represent, directly or by implication, that JewelWay or its principals have received any type of approval or endorsement from the Federal Trade Commission for any product or service marketed or sold by JewelWay.

Next, JewelWay's refund policy is as follows:

- (1) 100% of the purchase price if the purchaser (whether a representative or a retail customer) requests a refund within sixty days of delivery for any reason;
- (2) 100% of the purchase price less a 10% restocking fee if a representative requests a refund within sixty-one days to one year after the date of delivery;
- (3) 100% of the purchase price if the purchaser (whether a representative or retail customer) requests a refund within sixty days of delivery because the product is defective.

Refunds under subsections (1), (2) or (3) may be offset by any compensation received by the representative as a result of such purchase. Refunds under subsections (1) or (2) may

also be conditioned upon the return of the product in resalable condition (i.e., it has not been worn and is in its original packaging). Refunds under subsection (1), (2) or (3) may also be conditioned on the termination of the representative's affiliation with JewelWay.

Further, you are prohibited from placing advertisements containing the name "JewelWay" or any trade names used by JewelWay without prior approval from JewelWay.

Finally, if you sell product to a customer and that customer becomes a JewelWay representative within ninety (90) days after the sale, then that sale will not be considered a retail sale.

JewelWay will continue to redeem for product any outstanding gift or product certificate unless an expiration date is clearly stated on the certificate and that expiration date has passed.

The following provisions remain in effect as part of the final settlement with the FTC:

1. You may not misrepresent, directly or by implication, the earnings any person actually made, is making, or potentially can make;
2. You may not misrepresent, directly or by implication, the amount of sales any person actually made, is making, or potentially can make;
3. You may not misrepresent, directly or by implication, the discounts or benefits any person actually received, is receiving, or potentially can receive;
4. You may not misrepresent, directly or by implication, the value or characteristics of any product or service available for purchase;
5. You may not make any statement relating to rewards that were, are, or will be received by a representative or representatives through participation in the marketing program, without also disclosing the percentage of total representatives who are receiving at least the same rewards (excluding general descriptions of rewards that may be received by participation in the program).
6. You may not make any statement that any person is required, or that it would be beneficial, to make a purchase in order to participate in the program (except as it relates to success in making retail sales).

If JewelWay or any of its representatives provides you with any information or marketing materials which you, for any reason, know, suspect, or discover are not truthful or accurate, you should report such fact JewelWay. If you do not receive a satisfactory response from JewelWay, you should contact the Federal Trade Commission at 1961 Stout St., Suite 1523, Denver, Colorado 80294.

Do not make up answers to consumers' questions under any circumstances. Stop your presentation, and refer to the Business Reference Guide, your upline, or JewelWay's

customer service department. A false answer to a question is every bit as serious as a false initial representation.

Please sign a copy of this letter and return it to JewelWay in the attached pre-addressed envelope as an acknowledgment that you read this letter. If you would like to see a complete copy of the final settlement agreement between JewelWay and the FTC, it is available on JewelWay's website, the FTC's website ([www.ftc.gov](http://www.ftc.gov)), or you may request a copy from JewelWay and we will mail it to you promptly.

Very truly yours,

Bruce A. Caruth

Acknowledged that letter and Order

have been received and read by:

Date: \_\_\_\_\_

Print name

Signature

#### Exhibit 4

#### DECLARATION OF BRUCE A. CARUTH

I, Bruce A. Caruth, hereby state that the information contained in the financial statement executed on July 9, 1997, and related papers mentioned therein, provided to the Federal Trade Commission, was true, accurate, and complete at such time. The financial statement and the related papers shall be retained in Commission files.

I declare under penalty of perjury that the foregoing is true and correct. Executed this \_\_\_\_\_ day of \_\_\_\_\_, 1997, at Tucson, Arizona.

\_\_\_\_\_

Bruce A. Caruth

#### Exhibit 4

#### DECLARATION OF ROBERT J. CHARETTE, JR.

I, Robert J. Charette, Jr., hereby state that the information contained in the financial statement executed on June 30, 1997, and related papers mentioned therein, provided to the Federal Trade Commission, was true, accurate, and complete at such time. The financial statement and the related papers shall be retained in Commission files.

I declare under penalty of perjury that the foregoing is true and correct. Executed this \_\_\_\_\_ day of \_\_\_\_\_, 1997, at Tucson, Arizona.

\_\_\_\_\_  
Robert J. Charette, Jr.

#### Exhibit 4

#### DECLARATION OF DONILYN A. WALDEN

I, Donilyn A. Walden, hereby state that the information contained in the financial statement executed on July 9, 1997, and related papers mentioned therein, provided to the Federal Trade Commission, was true, accurate, and complete at such time. The financial statement and the related papers shall be retained in Commission files.

I declare under penalty of perjury that the foregoing is true and correct. Executed this \_\_\_\_\_ day of \_\_\_\_\_, 1997, at Tucson, Arizona.

\_\_\_\_\_  
Donilyn A. Walden

#### Exhibit 4

#### DECLARATION OF GREG G. STEWART

I, Greg G. Stewart, hereby state that the information contained in the financial statement executed on June 10, 1997 [sic -- filed with Court on July 10, 1997], and related papers mentioned therein, provided to the Federal Trade Commission, was true, accurate, and complete at such time. The financial statement and the related papers shall be retained in Commission files.

I declare under penalty of perjury that the foregoing is true and correct. Executed this \_\_\_\_\_ day of \_\_\_\_\_, 1997, at Tucson, Arizona.

\_\_\_\_\_

Greg G. Stewart

## Exhibit 4

### DECLARATION OF BEVERLY STEWART

I, Beverly Stewart, hereby state that the information contained in the financial statement executed on June 10, 1997 [sic -- filed with Court on July 10, 1997], and related papers mentioned therein, provided to the Federal Trade Commission, was true, accurate, and complete at such time. The financial statement and the related papers shall be retained in Commission files.

I declare under penalty of perjury that the foregoing is true and correct. Executed this \_\_\_\_\_ day of \_\_\_\_\_, 1997, at Tucson, Arizona.

\_\_\_\_\_

Beverly Stewart

## Exhibit 4

### DECLARATION OF JEWELWAY, INTERNATIONAL, INC.

I, Bruce A. Caruth, President of JewelWay, International, Inc., and on its behalf hereby state that the information in the financial statement of JewelWay International, Inc., executed on July 28, 1997, and related papers mentioned therein, provided to the Federal Trade Commission, was true, accurate, and complete at such time. The financial statement and the related papers shall be retained in Commission files.

I declare under penalty of perjury that the foregoing is true and correct. Executed this \_\_\_\_\_ day of \_\_\_\_\_, 1997, at Tucson, Arizona.

\_\_\_\_\_

Bruce A. Caruth  
President  
JewelWay International, Inc.