

KM.NET FINAL STATUS UPDATE

August 11, 2004

Claims Administrator Completes Claim Process

The Alabama Claims Administrator (Russell, Thompson, Butler & Houston, L.L.P. Certified Public Accountants) has completed the Consent Judgment claim process. **It is too late to file a claim.**

Eligible Michigan claimants purchased one or more Internet shopping malls and/or e-commerce packages directly from KM.NET. The Consent Judgment claim process followed the Alabama Class Action claim process. The Alabama Class Action claim process covered all consumers who purchased mall(s) between March 3, 2000 (2:01 a.m. CST) and March 22, 2000 (2:01 a.m. CST), and who had their account electronically debited on or after March 22, 2000. The Consent Judgment claim process only covered current or former Michigan residents who purchased malls and/or e-commerce packages directly from KM.NET and who were not covered under the Alabama Class Action case.

Consumers can refer to the Claims Administrator's PowerCard International / KM.NET website at: www.rtbhpcilit.com for additional information and details. The Claims Administrator's responsibility to respond to claimant inquiries ended on July 11, 2004.

Refunds

Under the Alabama class action settlement, qualified claimants received full refunds of their mall purchases less any commissions or refunds paid to them. A total of 3,393 claimants received \$1,688,070.10 (\$1,233,311.50 went to Michigan residents). Under the Consent Judgment, qualified claimants received full refunds of their mall purchases less any commissions or refunds paid to them. A total of 2,320 claimants received \$1,376,882.55

Legal Fees & Civil Penalty

Under the Consent Judgment, the defendants are additionally obligated to pay the State of Michigan a civil penalty of \$10,000 and \$85,000 for legal, investigative, and administrative expenses. The Court is expected to approve this payment in mid-August, 2004.

ADDITIONAL BACKGROUND INFORMATION

Attorney General's Michigan Action Against KM.NET.

On January 16, 2002, the Michigan Attorney General filed with the Ingham County Circuit Court a Consent Judgment resolving the Alabama and Michigan lawsuits against PowerCard International Inc. doing business as KM.NET and ECB4U.COM and against Stewart Giardina individually. Essentially the same Consent Judgment was also filed with the Alabama court where the Alabama Class Action Settlement is pending. The Consent Judgments address refunds for Michigan consumers who purchased before or after March 3-22, 2000.

[Michigan Consent Judgment](#)

[Alabama Consent Judgment](#)

The Claims Administrator continued to accept claim forms postmarked by March 8, 2004. **It is too late to file a claim.**

Alabama Class Action Settlement

The Attorney General also intervened in a class action lawsuit filed in Alabama seeking payment of commissions and refunds to individuals who purchased Internet malls during the brief time period of March 3-22, 2000. The case is *Nathan Foote et al v PowerCard International, Inc. d/b/a KM.NET*. Civil Action No. CV-2000-1074.

A Settlement Agreement was reached in this case on October 1, 2001. Class members had until January 25, 2002, to opt-out of the settlement, to object to the proposed settlement, or to file a verified proof of claim form. A Final Order and Judgment was entered on February 22, 2002.

The Circuit Court of Baldwin County extended the due date for filing claims and the Settlement Administrator continued to accept claims through April 1, 2003. On April 19, 2002, the settlement was funded with money previously deposited by the Columbia Bank with the federal court in Maryland. (See "Legal Activity in Other States" below.)

If you purchased an Internet mall from KM.NET between March 3 and March 22, 2000, and your account was debited on or after March 22, 2000 - whether your purchase was made in Michigan, Alabama, or some other state - you are covered by the Alabama Class Action settlement. Access to the following documents is provided to give you complete information:

[Notice of Class Action Lawsuit and Proposed Settlement](#)

[Proposed Settlement Agreement](#)

[Final Order and Judgment](#)

[Order Appointing Settlement Administrator](#)

The original deadline for filing claims under this class action was January 25, 2002; however, the Circuit Court of Baldwin County extended the due date for filing claims and the Settlement Administrator continued to accept claims through April 1, 2003. **It is too late to file a claim.**

Legal Activity in Other States

There were at least two separate actions involving KM.NET to which our office is not currently a party.

Columbia Bank, which received the electronic transfer of funds for purchases between March 3 and March 22, 2000, deposited approximately six million dollars with a federal court in Maryland seeking instruction on resolving claims against this fund by consumers and other parties. The case is *Columbia Bank v Network 1 Financial Group, et al.*, Civil Action No. WMN 00-CV-1002 (U.S.D.C. - D.Md.). Funding of the Alabama class action settlement was contingent on release of the funds deposited with the Maryland federal court. The Michigan Attorney General's Consent Judgments in Michigan and Alabama cleared the way for the release of the funds that occurred on April 19, 2002.

On January 25, 2001, the Maryland Attorney General's office issued a [Summary Order to Cease and Desist](#) to PowerCard International similar to the Notice of Intended Action issued by the Michigan Attorney General on March 24, 2000.

The Maryland Attorney General issued final orders to cease and desist against three representatives and entered into consent orders with five others, barring them from future securities and network-marketing activities.