

**UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION**

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| In the Matter of                  | ) |                   |
|                                   | ) |                   |
| COMPUTER BUSINESS SERVICES, INC., | ) |                   |
| a corporation,                    | ) |                   |
|                                   | ) |                   |
| ANDREW L. DOUGLASS,               | ) |                   |
| individually and as an officer    | ) |                   |
| of the corporation,               | ) |                   |
|                                   | ) | DOCKET NO. C-3705 |
| MATTHEW R. DOUGLASS,              | ) |                   |
| individually, and                 | ) |                   |
|                                   | ) |                   |
| PETER B. DOUGLASS,                | ) |                   |
| individually.                     | ) |                   |

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COMPLAINT

The Federal Trade Commission, having reason to believe that Computer Business Services, Inc. (“CBSI”); Andrew L. Douglass, individually and as an officer of CBSI; Matthew R. Douglass, individually; and Peter B. Douglass, individually (“respondents”), have violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent CBSI is an Indiana Corporation with its principal place of business at CBSI Plaza, Sheridan, Indiana 46069.
2. Respondent Andrew L. Douglass is an officer of CBSI. Individually or in concert with others, he formulates, directs, controls, or participates in the policies, acts, or practices of the corporation, including the acts or practices alleged in this complaint. His principal office or place of business is the same as that of CBSI.
3. Respondent Matthew R. Douglass is a supervisory employee of CBSI. Individually or in concert with others, he formulates, directs, controls, or participates in the policies, acts, or practices of the corporation, including the acts or practices alleged in this complaint. His principal office or place of business is the same as that of CBSI.
4. Respondent Peter B. Douglass is a supervisory employee of CBSI. Individually or in concert with others, he formulates, directs, controls, or participates in the policies, acts, or practices of the corporation, including the acts or practices alleged in this complaint. His principal office or place of business is the same as that of CBSI.

5. Respondents have advertised, offered for sale, sold, and distributed to the public home-based business ventures. Prospective consumers who purchase home-based business ventures from CBSI come to be known by the company as "Center Owners." A "center" ordinarily consists of computer hardware, software, training manuals, marketing materials, and available technical assistance which, together, are represented to enable the owner to create products and services that can be resold profitably to the general public.

6. Beginning no later than April 1988, and continuing through the present, respondents have disseminated or have caused to be disseminated magazine, newspaper and postcard advertisements, including but not necessarily limited to the attached Exhibit A, to induce consumers nationwide to call a toll-free number to order a free information kit. Respondents represent through these advertisements that consumers can expect to earn \$4,000 per month using CBSI's "proven turnkey business." Exhibit A.

7. Respondents have also disseminated or have caused to be disseminated advertisements for their home-based business ventures through commercial online services, including, but not limited to, CompuServe and America Online. Respondents represent through these advertisements that consumers can expect to earn \$4,000 per month through CBSI's home-based business ventures. Exhibit B.

8. Respondents have disseminated or have caused to be disseminated several information packets containing brochures and an audio cassette tape recording by the co-founders of CBSI, George and Jeanette Douglass. These materials, which are sent to prospective purchasers of home-based business ventures, contain the following statements:

- (a) In the last 13 years, we've identified over 30 needs and wants. Each one of them is easy to run, helps other people, and provides you a good profit. Computer Business Services has not only identified these 30 needs, but has developed the technology to perform these services easily and profitably. Along with the technology, we've developed all the strategies to perform these services, plus the ways to find the people that need these services, and you can do it all from your home.
- (b) Most of the couples and individuals that we've helped start their business have been extremely successful. . . .
- (c) Each one of the programs I'm about to explain to you provides a needed service to the people or organizations in your community. Each service adds value to the people's lives you serve, and you can be proud to provide these services. Each program is a proven money-maker, and is now being operated successfully by our present center owners.

- (d) Once you start to advertise your CBSI center, people know about it immediately and start coming to you for your services. Every business or organization needs to contact people and you have the only way to contact people quickly, inexpensively and effectively. Once this word gets out, you'll have to expand your services very rapidly, just as we did.
- (e) Now we've already helped thousands of couples and individuals turn into successful business people, and we believe we can help you, too.
- (f) If you get our CBSI computer program and follow our proven strategies, I really don't believe that you can do it badly enough not to be successful. Once you get the word out that you've got these programs available, people will come to you.
- (g) We right now have 30 services you can perform. We have thousands of center owners already earning good money, and I believe you can, too.
- (h) Now you have 24 hours in a day. You work 8, sleep 8, and have 8 free hours. If you take 8 free hours times 7 days a week, you have 56 hours. Divide that by two, and you have 28 hours that you can use in this business. Now I realize I've not included weekends. If you use 28 hours per week to do this program, you will be extremely successful.
- (i) I can't guarantee your success. I can't guarantee that you'll make \$4,000 to \$10,000 a month. I don't know what's inside of you. But I do know this. Our services are needed in every community in the United States. Our programs really work, and you can earn more money than you ever dreamed possible if you will work our programs.
- (j) Most of the couples and individuals that we've helped start their business have been extremely successful and our relationship with them has been exhilarating.
- (k) This is a business that you can build a few customers at a time and reap the profits for a long time to come. I call it stack up income. You set it up once and get paid for it every month. So after a few years, you have big money coming in every month, even if you take a month off.
- (l) Each of these services is a proven money-maker in large cities, small towns and rural communities throughout the country.
- (m) Now some of our center owners use the computer dialing equipment for telemarketing on the unattended mode. Some just don't like to use the computer for telemarketing at all, and in some states, there are regulations that limit the use in the unattended mode. . . . Again, you must make the decision how you use your equipment. Some center owners do very well using their computer dialing equipment for finding people who want their products. Others use the unattended

mode to find qualified prospects for insurance, real estate, chimney cleaning and so forth. If they call from 9:00 a.m. to 9:00 p.m., they usually can call around 1,000 people a day.

9. Respondents also have disseminated or have caused to be disseminated materials containing endorsements by and photographs of purported Center Owners who convey the impression that ordinary consumers can successfully start and operate one or a combination of respondents' home-based business ventures. These materials include but are not necessarily limited to the attached Exhibit C. For example, these materials contain the following statements and depictions:

- (a) "LEE STOUT: I am a very satisfied CBSI Center Owner. Without my involvement with CBSI the opportunities that have become realities would not have been possible. The CBSI telecommunications program has enabled me to grow my business to the point where I can make \$100,000+ per year. . . . If I can be successful at this, anyone can!"
- (b) "DOUG STROUD: I earned \$101,865 in one year with my own CBSI business. I am running Voice Mail and Computer Home Monitor. CBSI software is the best available."
- (c) "CURTIS MAPP: I now have 258 subscribers to the CBSI Computerized Monitor Service program. Each subscriber is billed at \$30.00 per month, which means I'm earning over \$7,700 per month with this program alone."

10. Beginning no later than January 1991, and continuing through the present, respondents have sold their home-based business ventures to approximately 15,000 consumers. Center Owners ordinarily spent between \$3,000 and \$16,000 on respondents' products and services.

#### Profitability

11. Through the means described in Paragraphs 5 through 10, respondents have represented, expressly or by implication, that CBSI Center Owners ordinarily operate profitable businesses out of their own homes.

12. In truth and in fact CBSI Center Owners do not ordinarily operate profitable businesses out of their own homes. Indeed, it is rare for CBSI Center Owners to recoup even their initial investments.

13. Therefore, the representation set forth in Paragraph 11 was, and is, false or misleading.

### Substantial Income

14. Through the means described in Paragraphs 5 through 10, respondents have represented, expressly or by implication, that:
  - a. CBSI Center Owners ordinarily earn substantial income.
  - b. CBSI Center Owners can reasonably expect to achieve a specific level of earnings, such as income of \$4,000 per month.
  
15. In truth and in fact:
  - a. CBSI Center Owners do not ordinarily earn substantial income. Indeed, the vast majority of Center Owners never even recoup their initial average investments of approximately \$9,000.
  - b. CBSI Center Owners can not reasonably expect to achieve a specific level of earnings, such as income of \$4,000 per month. Indeed, the vast majority of Center Owners not only never earn \$4,000 per month, but never earn \$4,000 over the duration of their businesses.
  
16. Therefore, the representations set forth in Paragraph 14 were, and are, false or misleading.

### Endorsements: Actual Experiences

17. Through the means described in Paragraph 9, respondents have represented, expressly or by implication, that CBSI Center Owner endorsements appearing in respondents' advertisements and promotional materials reflect the actual experiences of those Center Owners.
  
18. In truth and in fact, in numerous instances, CBSI Center Owner endorsements appearing in respondents' advertisements and promotional materials do not reflect those Center Owners' actual experiences.
  
19. Therefore, the representation set forth in Paragraph 17 was, and is, false or misleading.

### Endorsements: Typicality and Ordinarity

20. Through the means described in Paragraph 9, respondents have represented, expressly or by implication, that CBSI Center Owner endorsements appearing in respondents' advertisements and promotional materials reflect the typical or ordinary experiences of Center Owners who have attempted to use CBSI's products or services.
  
21. In truth and in fact, CBSI Center Owner endorsements appearing in respondents' advertisements and promotional materials do not reflect the typical or ordinary experiences of Center Owners who have attempted to use CBSI's products or services.
  
22. Therefore, the representation set forth in Paragraph 20 was, and is, false or misleading.

### Substantiation for Earnings Claims

23. Through the use of the statements and depictions contained in the respondents' advertisements and promotional materials referred to in Paragraph 14, respondents have represented, expressly or by implication, that they possessed and relied upon a reasonable basis that substantiated the representations set forth in Paragraph 14, at the time the representations were made.

24. In truth and in fact, respondents did not possess and rely upon a reasonable basis that substantiated the representations set forth in Paragraph 14, at the time the representations were made. Therefore, the representation set forth in Paragraph 23 was, and is, false or misleading.

### Automatic Telephone Dialing Systems

25. Through the means described in Paragraphs 5 through 10, respondents have represented, expressly or by implication, that consumers can successfully utilize automatic telephone dialing systems to market their businesses.

26. Respondents have failed to disclose in their advertisements and promotional materials for the outbound telemarketing programs that federal law prohibits the use of an automatic telephone dialing system in the unattended mode to initiate a telephone call to any residential telephone line to transmit an unsolicited advertisement for commercial purposes without the prior express consent of the called party. This fact would be material to consumers in their purchase or use of respondents' home-based business ventures. The failure to disclose this fact, in light of the representation made, was, and is, a deceptive practice.

27. The acts and practices of respondents as alleged in this complaint constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

THEREFORE, the Federal Trade Commission this twenty-first day of January, 1997, has issued this complaint against respondents.

By the Commission.

Donald S. Clark  
Secretary

SEAL:

[Exhibits A-C attached to paper copies of complaint, but not available in electronic form.]