

Complaint

117 F.T.C.

IN THE MATTER OF

PERSONAL PROTECTIVE ARMOR ASSOCIATION, INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3481. Complaint, Mar. 17, 1994--Decision, Mar. 17, 1994*

This consent order prohibits, among other things, a Maryland-based association for manufacturers of soft body armor (bullet-proof vests) from entering into any agreement with its members that would restrict them from engaging in comparative advertising or offering product-liability insurance, guarantees or warranties on soft body armor, and from placing any restraints on soft body armor advertising, that is not deceptive or false, including restricting information about prices, product availability, and body armor performance characteristics.

*Appearances*For the Commission: *Paul J. Nolan and Deborah E. Klein.*For the respondent: *Richard Feinstein, McKenna & Cuneo,*
Washington, D.C.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, as amended, 15 U.S.C. 41 *et seq.*, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that the named respondent has violated the provisions of Section 5 of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint, stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Personal Protective Armor Association ("PPAA") is a corporation organized, existing and doing business under and by virtue of the laws of the State of Tennessee, with its mailing address at 3623 Falls Road, Baltimore, Maryland.

PAR. 2. Respondent is a trade association of fiber and soft body armor manufacturers founded in 1975. A significant portion of respondent's activities furthers its members' pecuniary interests. By

virtue of its purposes and activities, respondent is a corporation within the meaning of Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. 44.

PAR. 3. Most of respondent's members are engaged in the business of producing and selling soft body armor. Some are also engaged in the sale of ballistic resistant fibers. Except to the extent that competition has been restrained as herein alleged, most of respondent's members have been and now are in competition among themselves.

PAR. 4. The acts and practices of the respondent, including those herein alleged, are in or affect commerce within the meaning of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. 45.

PAR. 5. Consumers of soft body armor, usually federal, state, and local law enforcement agencies, seek various price and non-price terms as part of a competitive bidding process. In selecting a body armor manufacturer, consumers consider factors such as quality of the product, price, and other terms of sale such as products liability insurance and certification that the soft body armor passes applicable performance standards. Advertising, including comparative advertising and advertising of warranties and products liability insurance, enables firms to inform consumers about these factors. Such advertising benefits consumers by increasing the information available to them and promoting competition among soft body armor manufacturers.

PAR. 6. During some periods, from 1986 to the present, PPAA has maintained a policy against comparative advertising, including a policy declaring it unethical for any member to make any representation that another member's vests have failed certification testing. This policy applies even to truthful representations and operates to discourage or prevent a manufacturer from engaging in comparative advertising or otherwise representing that its soft body armor possesses qualities superior to that of other members.

PAR. 7. During some periods, from 1986 to the present, PPAA adopted a policy that its members were to respond uniformly to bids by not offering products liability insurance in competing for contracts from law enforcement agencies. The aim of the respondent was to improve its members' profits by no longer using products liability insurance, or the amount of such insurance, as a tool to win contracts to supply soft body armor.

PAR. 8. In engaging in the acts and practices described above, PPAA has acted as a combination of its members or in conspiracy with some of them.

PAR. 9. The purposes or effects, and the tendency and capacity, of the combination or conspiracy and acts and practices of respondent as described in paragraphs six through eight have been and are to unreasonably restrain competition in one or more of the following ways, among others:

A. Competition in the marketing and sale of soft body armor on the basis of price, service, and quality has been frustrated and restrained;

B. Consumers have been deprived of the benefits of truthful information about the performance of soft body armor; and

C. Consumers have been deprived of the potential value of warranties, including but not limited to products liability insurance, in the purchase of soft body armor.

PAR. 10. The combination or conspiracy and the acts and practices, described herein, constitute unfair methods of competition, or unfair or deceptive acts practices in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act. The combination or conspiracy, as herein alleged, is continuing and will continue in the absence of the relief herein requested, unless the Commission enters appropriate relief against the respondent.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Bureau of Competition proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act; and

The respondent, its attorneys, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not

constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent Personal Protective Armor Association is a corporation organized, existing and doing business under and by virtue of the laws of the State of Maryland, with its office and principal place of business located at 3623 Falls Road, in the City of Baltimore, State of Maryland.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

I.

For the purposes of this order, the following definition shall apply:

A. "*Respondent*" means the Personal Protective Armor Association, its directors, trustees, councils, committees, officers, representatives, delegates, agents, employees, successors, or assigns.

B. "*Soft body armor*" means concealable bullet-resistant vests generally worn by civilians and law enforcement personnel.

II.

It is ordered, That respondent, directly, indirectly, or through any device, in connection with activities in or affecting commerce, as

“commerce” is defined by the Federal Trade Commission Act, as amended, cease and desist from:

A. Entering into, attempting to enter into, organizing, continuing, or acting in furtherance of any agreement or combination, or carrying out any agreement between or among respondent’s members, either express or implied, that prohibits, restricts, impedes, interferes with, restrains, places limitations on, or advises against:

1. Engaging in comparative advertising, including, but not limited to prohibiting any member from advertising that any type of soft body armor meets or fails to meet any ballistic resistance standard; or
2. Offering or providing products liability insurance, guarantees, or warranties on soft body armor.

B. Restricting, regulating, impeding, declaring unethical, interfering with, restraining, or advising against the advertising, publishing, or dissemination by any person of the prices, terms, availability, characteristics, or conditions of sale of soft body armor through any means, including, but not limited to, adopting or maintaining any rule or policy that restricts or prohibits a member from:

1. Engaging in comparative advertising, including, but not limited to prohibiting any member from advertising that any type of soft body armor meets or fails to meet any ballistic resistance standard; or
2. Offering or providing products liability insurance, guarantees, or warranties on soft body armor.

Provided, that nothing contained in this paragraph II shall prohibit respondent from formulating, adopting, disseminating to its members, and enforcing reasonable ethical guidelines governing the conduct of its members with respect to representations, including unsubstantiated representations, that respondent reasonably believes would be false or deceptive within the meaning of Section 5 of the Federal Trade Commission Act.

III.

It is further ordered, That respondent:

A. Distribute by first-class mail a copy of this order and the complaint to each of its members within thirty (30) days after the date this order becomes final.

B. For a period of five (5) years after the date this order becomes final, provide each new member who joins PPAA with a copy of the order and complaint within thirty (30) days of membership into PPAA.

C. File a verified, written report with the Commission within sixty (60) days after the date this order becomes final, and annually thereafter for five (5) years on the anniversary of the date this order becomes final, and at such other times as the Commission may, by written notice to PPAA, require, setting forth in detail the manner and form in which it has complied and is complying with the order.

D. For a period of five (5) years after the date this order becomes final, maintain and make available to Commission staff for inspection and copying upon reasonable notice, records adequate to describe in detail any action taken in connection with any activity covered by Part II of this order.

IV.

It is further ordered, That PPAA shall notify the Commission at least thirty (30) days prior to any change in the corporation such as dissolution, assignment, or sale, resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, and any other change that may affect compliance with this order.

CONCURRING STATEMENT OF COMMISSIONER ROSCOE B. STAREK, III

I concur in the Commission's decision to approve the consent order in this matter. The evidence demonstrates that ten companies, representing more than 90% of U.S. sales of protective body armor, engaged in unreasonable restraints of trade in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. 45. The agreements here restrain significant dimensions of competitive rivalry among body armor manufacturers. Therefore, they appear likely, absent an efficiency justification, to restrict output. The respondent has not

proffered any efficiency justification for the restraints. Under the standards set forth in Massachusetts Board of Registration in Optometry¹ and its progeny, this “inherently suspect” conduct is appropriately condemned without a full rule of reason analysis.

In my view, however, it may have been appropriate to name as respondents the members of the Personal Protective Armor Association (“PPAA”). This case is not typical of the Commission’s cases challenging anticompetitive conduct of state licensing boards and trade associations. In most such cases, the board or association represents hundreds or thousands of competing entities.² Naming individual members as respondents in such cases is generally impracticable: it may unnecessarily complicate litigation or create intractable problems for settlement negotiations.³ More important, naming members is often unnecessary: the respondent board or association is typically the only (or only effective) means by which the multitude of competitors can reach and enforce an agreement restraining competition.

By contrast, competitors in the relatively concentrated protective body armor industry may be able to collude effectively outside the auspices of the PPAA or any other formal trade association.⁴ If so, the consent order, which names only the PPAA as a respondent, may provide an insufficient remedy. So long as the PPAA is not involved,⁵ the same body armor manufacturers could engage in collusive conduct falling squarely within the core cease and desist provisions of the order without exposure to civil penalties under Section 5(l) of the FTC Act, 15 U.S.C. 45(l).⁶

¹ 110 FTC 549, 604 (1988).

² See, e.g., *American Medical Association*, 94 FTC 701, 702 (1979) (membership consisting of approximately 170,000 medical doctors); *Mass. Board*, 110 FTC at 560 (more than 1350 optometrists subject to the Board’s restraints); *Detroit Auto Dealers Association, Inc.*, 111 FTC 417, 419 (1989) (membership consisting of 231 automobile dealerships).

³ But see *Detroit Auto Dealers*, 111 FTC at 518-21 (addenda to final decision and order) (naming as respondents the association, 17 constituent associations, 96 member dealerships, and 81 individuals); *id.*, Docket No. 9189 (Jan. 26, 1994) (agreement containing consent order with 146 respondents accepted for public comment).

⁴ Thus, unlike in many cases involving association restraints in which the respondent association itself is a critical first mover, the conduct at issue here constitutes archetypal cartel behavior as to which this particular association’s involvement may be merely detail.

⁵ Under the order, respondent PPAA is defined to include any association that can be held to be a legal successor. The evidence does not clearly indicate whether PPAA has any structural, legal, or historical advantage that would impede the creation of a new, non-successor body armor trade association.

⁶ Of course, this conduct would expose these firms to private and state actions for damages under Section 4 of the Clayton Act, 15 U.S.C. 15. Such exposure, however, apparently did not deter the conduct that led to the Commission’s action in this matter.

In determining the optimal scope of any future enforcement actions against anticompetitive restraints facilitated by a trade association, the Commission should consider carefully the extent to which the participation of the particular association is necessary to effect collusion among its members.

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IN THE MATTER OF

THE HAIRBOW COMPANY, ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3482. Complaint, Mar. 17, 1994--Decision, Mar. 17, 1994*

This consent order prohibits, among other things, the California-based corporations and officers, who purported to sell hairbow kits, from making any material misrepresentations regarding earnings or profits of participants in any work opportunity and from making misrepresentations about the marketplace demand for any product or service for which the respondents are offering a work opportunity. In addition, the order sets a redress payment, however, based upon financial statements submitted by the respondents, the redress payments have been suspended.

*Appearances*For the Commission: *Gerald E. Wright and Jeffrey Klurfeld.*For the respondents: *William Bernheim, Whitaker & Bernheim,*
Dixon, CA.

COMPLAINT

The Federal Trade Commission, having reason to believe that Russell J. Osborn, a/k/a Russell J. Osborne and Russell J. Osbourne (hereafter "Russell J. Osborn"), individually, trading and doing business as The Hairbow Company, and as an officer of Rainbow Productions, Inc., and Rainbow Productions, Inc., a corporation ("respondents"), have violated Section 15 of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it would be in the public interest alleges:

PARAGRAPH 1. Respondent The Hairbow Company is an unincorporated association, with its principal office and place of business located at 19 Front Street, Danville, California.

Respondent Rainbow Productions, Inc. is a corporation, organized, existing, and doing business under and by virtue of the laws of the State of California, with its principal office and place of business located at 19 Front Street, Danville, California.

Respondent Russell J. Osborn is an individual, is the owner of The Hairbow Company, and is the owner and president of Rainbow Productions, Inc. Individually or in concert with others, he formulates, directs and controls the policies, acts and practices of The Hairbow Company and Rainbow Productions, Inc. His address is 19 Front Street, Danville, California.

PAR. 2. Respondent Russell Osborn, individually and trading and doing business as The Hairbow Company, has disseminated advertising seeking individuals to assemble craft items and other products at home, and has offered for sale and sold starter kits to individuals who accept his offers to engage in such work. The cost of such starter kits covers registration and other fees to engage in such work.

Respondent Rainbow Productions, Inc. has disseminated advertising soliciting individuals to incur the cost of a 900-number telephone call to obtain information about companies offering work-at-home opportunities.

PAR. 3. The acts and practices of respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. Respondents have disseminated, and have caused to be disseminated advertisements, promotional literature, and agreements relating to their income opportunities, including but not necessarily limited to the attached Exhibit A. These materials contain the following statements:

Muchas personas ganan hasta \$400 o mas cada semana trabajando en casa. Usted puede tambien. Es facil! [Many people earn up to \$400 or more each week working at home. You can too. It's easy!]

* * *

Gane hasta \$423 dolares a la semana, haciendo prendedores de cabellos. [Make up to \$423 dollars per week making hairbows.]

* * *

WE NOW PAY UP TO \$427.68 WEEKLY!!

* * *

LA COMPANIA DE HAIRBOW
AHORA LE PAGAMOS HASTA \$427.68 A LA SEMANA!

[THE HAIRBOW COMPANY
WE NOW PAY UP TO \$427.68 WEEKLY!]

PAR. 5. Through the use of the statements contained in the materials referred to in paragraph four, including but not necessarily limited to the materials attached as Exhibit A, respondents have represented, directly or by implication, that:

A. The stated dollar amounts constitute the weekly earnings regularly realized over a substantial period of time by an appreciable number of independent assemblers of respondents' products.

B. Respondents are fulfilling a significant marketplace demand for their products.

PAR. 6. In truth and in fact:

A. Independent assemblers of respondents' products have not regularly realized over a substantial period of time the weekly earnings represented. Only a small percentage of persons who assembled products for respondents have regularly derived earnings from their work, and none has achieved over a substantial period of time the weekly earnings represented.

B. Respondents are not fulfilling a significant marketplace demand for their products.

Therefore, the representations set forth in paragraph five were, and are, false and misleading.

PAR. 7. The acts and practices of respondents as alleged in this complaint, constitute unfair and deceptive acts or practices in or affecting commerce in violation of Section 5(a)(1) of the Federal Trade Commission Act.

EXHIBIT A

The Hairbow Company

WE NOW PAY UP TO \$427.68 WEEKLY!

WELCOME:

Thank you for responding to this great opportunity. THE HAIRBOW COMPANY is a family owned business and takes pride in quality crafted crafts. THE HAIRBOW COMPANY is in current need of hardworking people willing to do the work from their own home. If you have a strong desire to work at home then THE HAIRBOW COMPANY is interested in you if you have the following desire.

- 1) To use your basic skills in producing a beautiful HAIRBOW, with no experience necessary and no special equipment necessary.
- 2) We are in the business of selling hairbow kits which show you how to make your own hairbows that you may either sell on your own or sell to us, or both.
- 3) Make good money in your own home. We pay you up to \$427.68 weekly!

This is all we are looking for is just a desire in you to produce our product. The breakdown of our cost and your profit is as follows. We pay you \$427.68 per week for the assembly of 3 units of our product. Each unit consist of 4 dozen HAIRBOWS. For each unit we will pay you direct \$100.32 for production plus \$42.24 for supply cost reimbursement for a total of \$142.56 per unit. If you do the maximum we allow per week that totals \$427.68 for 3 units plus shipping...Also in addition we PAY SHIPPING up to \$2.00 per unit. on units made according to quality standards. We do reserve the right to return products that are sent to us improperly constructed, or just plain sloppy. So please, always try to do a good job to save both of us time and money.

HOW TO BEGIN:

First THE HAIRBOW COMPANY will send you a starter kit consisting of complete tips on how to make the HAIRBOW along with picture, quality check list, diagrams, materials to make your first sample HAIRBOW and complete information on obtaining supplies. This starter kit is designed to show you how to make one HAIRBOW correctly.

Hard work is the key to any success and all we ask is you produce. In order to help us pay the high cost of advertising, administration cost, printing, management of your file and inspection of your work we must ask that you purchase your own starter kit. This one time purchase will more than earn the price of your package, with the first unit of HAIRBOWS you produce.

To get started as part of the HAIRBOW team simply fill out your name and address and return this form today!

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EXHIBIT A

RECEIVED MAY 1 1991
 Return this form: SHIPPED MAY
to Shipping Department
HAIR BOWS PO BOX 2678, DANVILLE CA 94526
 Make your money order or check payable to Hairbows, Inc. Funds

NAME _____
 ADDRESS _____
 CITY S. I. IP _____
 SIGNATURE E. J. / 91 Phone _____

HAIR BOWS will send you a check for the total amount of \$142.56 plus shipping up to \$2.00 for each unit of 4 dozen hairbows that you complete according to our written specifications. We currently limit our producers to shipments of 3 units per week, for a total of \$427.68 per week.

You are your own employer, so you work for yourself and you are responsible for your own tax records. We do not withhold income taxes, nor do we pay unemployment benefits or employee benefits of any kind. You are an independent contractor and it's your own responsibility. Because you are an independent contractor you have the option of selling the product elsewhere if you wish.

Control of our inventory is of the most importance to us now, and HAIRBOWS requires our producers to have their first unit in our office no later than 55 total days from the date of the starter kit being mailed to you. All future units will have the same requirement, 55 total days from payment of the last unit. We will not extend for any reason, otherwise HAIRBOWS will have too much idle inventory and no control of incoming inventory. It is not possible for us to pay on partially completed work, or uncompleted units. Since we at HAIRBOWS have a high level of quality to uphold, we reserve the right to refuse improperly constructed, or sloppy work.

To receive your starter kit, simply fill out the above application-agreement, sign it, and send either a money order or personal check in the amount of \$29.95 plus \$4.95 shipping and handling to HAIRBOWS at the address above. Your starter kit includes, picture, fabrics, and complete instructions for obtaining supplies and hair bow assembly. This starter kit is designed to show you how to make one hair bow correctly. The starter kit funds are used immediately towards up keep of your file, administration costs, printing, inspection of your work ect. We will ship the starter kit within 15 days from date received on all money orders received, and 4 weeks on all personal checks, to allow time for checks to clear. For a limited time Order within 10 days and receive a free bonus report on how to make even more money with your hairbows!

Enclose \$29.95, plus \$4.95 shipping and handling and indicate payment below.

- Money Order (15 day shipping)
- Personal Check (4 week shipping)
- Rush Handling \$2.00

Return this application to:
 Hairbows Shipping Dept.
 PO Box 2678
 Danville, CA 94526

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the San Francisco Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission would charge respondents with violation of the Federal Trade Commission Act; and

The respondents, their attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, and no comments having been filed thereafter by interested parties pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby makes the following jurisdictional findings and enters the following order:

1. Respondent The Hairbow Company is an unincorporated association, with its principal office and place of business located at 19 Front Street, Danville, California.

Respondent Rainbow Productions, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of California, with its principal office and place of business located at 19 Front Street, Danville, California.

Respondent Russell Osborn is an individual, is the owner of The Hairbow Company and is the owner and president of Rainbow Productions, Inc. Individually or in concert with others, he formulates, directs and controls the policies, acts and practices of The

Hairbow Company and Rainbow Productions, Inc. His address is 19 Front Street, Danville, California.

2. The acts and practices of respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

3. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

For purposes of this order, the following definitions shall apply:

"Work Opportunity" means any offer to a person to earn income by producing goods or providing services, where (1) the offeree must pay to the offeror or a person identified by the offeror, any amount of money, whether in the form of a registration, application or other fee, a payment for initial inventory or supplies, or in any other form, as a condition of participating; and (2) the offeror represents that the offeree will or could be compensated in any manner by the offeror or by a person identified by the offeror.

"Participant" means any person who pays the offeror of a work opportunity, or a person identified by such offeror, any amount of money, whether in the form of a registration, application or other fee, a payment for initial inventory or supplies, or in any other form, as a condition of participating in a work opportunity.

"Net Earnings or Profits" means the compensation paid to a participant in a work opportunity, less the costs to a participant of materials, supplies and shipping.

I.

It is ordered, That respondents Russell J. Osborn, individually, trading and doing business as The Hairbow Company, and as an officer of Rainbow Productions, Inc., and Rainbow Productions, Inc., a corporation, its successors and assigns, and respondents' agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the marketing, advertising, promotion, offering, or sale of any work opportunity, in or affecting commerce, as "commerce" is defined in

the Federal Trade Commission Act, do forthwith cease and desist from:

A. Making any material misrepresentation, including but not limited to:

1. Misrepresenting the past, present or potential future earnings or profits of participants in any work opportunity; or
2. Misrepresenting the marketplace demand for any product or service for which respondents are offering a work opportunity.

B. Making any earnings-related or profit-related claim which uses the phrase "up to" or words of similar import or which states any dollar amount, unless the stated level of earnings or profits constitutes the net earnings or profits which can be achieved by an appreciable number of participants; and further, in any instances where consumers could not reasonably foresee the major factors or conditions affecting the ability to achieve the stated level of earnings or profits, cease and desist from failing to disclose clearly and prominently the class of consumers who can achieve the stated level.

II.

It is further ordered, That for three (3) years after the last date of dissemination of any representation covered by this order, respondents shall maintain and upon request make available to the Federal Trade Commission for inspection and copying:

A. Specimen copies of all materials disseminated which contain such representation;

B. All materials that were relied upon as substantiation in disseminating such representation;

C. The names, addresses and telephone numbers of all work opportunity participants who paid any money to respondents within the previous three years; and

D. The names, addresses and telephone numbers of all work opportunity participants who earned any income or profit from respondents during the previous three years, and for each such participant: all written agreements between respondents and each participant during the previous three years; and the dates and amounts

of all payments paid to each participant for work completed pursuant to the work opportunity during the previous three years.

III.

It is further ordered:

A. That respondent Russell J. Osborn shall pay to the FTC as consumer redress the sum of one million nine hundred thousand dollars (\$1,900,000); provided, however, that this liability will be suspended, subject to the provisions of subpart B below.

B. That the Commission's acceptance of this order is expressly premised upon the representations regarding the financial condition of the respective respondents made to the FTC in a "Financial Statement of Debtor" executed by Russell J. Osborn on September 22, 1992, and appended "Statement of Assets and Liabilities" executed by Russell J. Osbourne on September 14, 1992; a "Financial Statement of Corporate Defendant" relating to Rainbow Productions, Inc. executed by Russell J. Osborn on September 22, 1992; and on the federal and California tax returns of Russell J. Osborne for 1990. After service upon respondents of an order to show cause, the FTC may reopen this proceeding to make a determination whether there are any material misrepresentations or omissions in said representations regarding the financial condition of the respective respondents. Respondents shall be given an opportunity to present evidence on this issue. If, upon consideration of respondents' evidence and other information before it, the FTC determines that there are any material misrepresentations or omissions in the financial statements and related documents, that determination shall cause the entire amount of monetary liability of one million nine hundred thousand dollars (\$1,900,000) to become immediately due and payable to the Federal Trade Commission, and interest computed at the rate prescribed in 28 U.S.C. 1961, as amended, shall immediately begin to accrue on the unpaid balance. Proceedings initiated under part III are in addition to, and not in lieu of, any other civil or criminal remedies as may be provided by law, including any proceedings the Federal Trade Commission may initiate to enforce this order.

IV.

It is further ordered, That the corporate respondent shall notify the Commission at least thirty (30) days prior to any dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, or any other change in the corporation that may affect compliance obligations arising out of the order.

V.

It is further ordered, That the individual respondent shall promptly notify the Commission of the discontinuance of his present business or employment and, for a period of five (5) years after the date of service of this order, and shall promptly notify the Commission of each affiliation with a new business or employment.

VI.

It is further ordered, That respondents shall, within sixty (60) days after service of this order on them, and on the first through the fifth anniversaries of the effective date of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which they have complied with this order.

Complaint

117 F.T.C.

IN THE MATTER OF

HOMESPUN PRODUCTS, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3483. Complaint, Mar. 17, 1994--Decision, Mar. 17, 1994*

This consent order prohibits, among other things, the California-based corporations and an officer, who purported to market pillows and Christmas ornaments, from making any material misrepresentations regarding earnings or profits of participants in any work opportunity and from making misrepresentations about the marketplace demand for any product or service for which the respondents are offering a work opportunity. In addition, the order sets a redress payment, however, based upon financial statements submitted by the respondents, the redress payments have been suspended.

Appearances

For the Commission: *Gerald E. Wright* and *Jeffrey Klurfeld*.

For the respondents: *William Wineberg, Broad, Schuld, Larson & Wineberg*, San Francisco, CA.

COMPLAINT

The Federal Trade Commission, having reason to believe that Home Spun Products, Inc., a corporation, G & S Marketing, Inc., a corporation, and Gregory A. Straw, individually and as an officer of said corporations ("respondents"), have violated Section 5 of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it would be in the public interest, alleges:

PARAGRAPH 1. Respondent Home Spun Products, Inc. is a California corporation, with its principal office or place of business at 201 Benton Court, Suisun, California.

Respondent G & S Marketing, Inc. is a California corporation, with its principal office or place of business at 201 Benton Court, Suisun, California.

Respondent Gregory A. Straw is an officer of the corporate respondents. Individually or in concert with others, he formulates, directs and controls the acts and practices of the corporate

respondents, including the acts and practices alleged in this complaint. His principal office and place of business is the same as that of the corporate respondents.

PAR. 2. Respondent Homespun Products, Inc. has disseminated advertising seeking individuals to assemble craft items and other products at home, and has offered for sale and sold start-up kits and craft materials to individuals who accept its offers to engage in such work.

Respondent G & S Marketing, Inc. has disseminated advertising soliciting individuals to incur the cost of a 900-number telephone call to obtain information identifying companies offering work-at-home opportunities, and has advertised and sold directories of firms offering work-at-home opportunities.

PAR. 3. The acts and practices of respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. Respondents have disseminated, and have caused to be disseminated advertisements, promotional literature, and agreements relating to their income opportunities, including but not necessarily limited to the attached Exhibits A and B. These materials contain the following statements:

\$627 WEEKLY AT HOME. Easy work, assemble products, start now! Call (900) 420-3017. 18 years/older. Three dollars a minute.

Turn your sewing machine into a money machine! That's right we pay up to \$627.00 per week...

TURN YOUR SEWING SKILLS INTO SIGNIFICANT INCOME! WE PAY UP TO \$627.00 A WEEK SEWING PILLOWS AT HOME!

Once you have the starter package, you'll be ready to earn money! --- WE PAY YOU UP TO \$627.00 A WEEK--month after month.

\$270.00 per week making simple Christmas ornaments year round!

WE PAY YOU UP TO \$450 WEEKLY [Christmas ornament]

PAR. 5. Through the use of the statements contained in the materials referred to in paragraph four, including but not necessarily limited to the materials attached as Exhibits A and B, respondents have represented, directly or by implication, that:

A. The stated dollar amounts constitute the weekly earnings regularly realized over a substantial period of time by an appreciable number of independent assemblers of respondents' products.

B. Respondents are fulfilling a significant marketplace demand for their products.

PAR. 6. In truth and in fact:

A. Independent assemblers of respondents' products have not regularly realized over a substantial period of time the weekly earnings represented. Only a small percentage of persons who assembled products for respondents have regularly derived earnings from their work, and none has achieved over a substantial period of time the weekly earnings represented.

B. Respondents are not fulfilling a significant marketplace demand for their products.

Therefore, the representations set forth in paragraph five were, and are, false and misleading.

PAR. 7. The acts and practices of respondents as alleged in this complaint, constitute unfair and deceptive acts or practices in or affecting commerce in violation of Section 5(a)(1) of the Federal Trade Commission Act.

EXHIBIT A

Country Living CLASSIFIED

Rates effective with the May 1991 issue: \$295 for 15 words or less. \$10 for each word over 15. Payment with order required. All classified advertisements are positioned under appropriate heading. All classified are accepted at discretion of Country Living Magazine. Mail ad copy & payment to: COUNTRY LIVING CLASSIFIED, 50 Washington Street, So. Norwalk, CT 06854 • (203) 866-4845 or FAX (203) 838-1425

ANTIQUES

ANTIQUE-HOME-STUDY-COURSE for free brochures, write A.L.A., 1327 Havel Ave., Dept. 8912CL, Buffalo, NY 14216.

REPRODUCTION HARDWARE FOR ANTIQUE FURNITURE, Hooks, Trunk, Carving, etc. Mastercard, VISA, Discover. For \$2.50 Catalog refunded on \$25.00 purchase. 1-800-545-7947.

ARTS & ANTIQUES

ANTIQUE CAROUSEL HORSES. Send LSASE for brochures. A SWEST REMEMBRANCE, 172 August Road, New Bedford, CT 06776-5411. (203) 353-3709.

ARTS & CRAFTS

GREETING CARDS WALL MOUNTING KIT. 3 popular sizes included. \$16.95 incl. Specialty Colors/ natural wood. SHALO ENTERPRISES, 7657 Wisconsin, Suite 137, Canoga Park, CA 91306. Catalog \$2.00. Refundable with purchase. 818-700-8678.

HANDCRAFTED COUNTRY STENCILING on fabric. Free brochures. RAGGED HILL CREATIONS, Box 990, West Brookfield, MA 01581.

BEAUTIFULLY UNIQUELY HANDCRAFTED ROCKING HORSES and silhouettes. Brochure \$1.00. EQUESTRIAN COUNTRY CRAFTS, 275 South Four Street, Lake Mary, FL 32746.

STENCILS. Send LSASE for brochures. STENCILS BY ZULA, 113 Ridge State Road, Ashburnham, MA 01430.

VICTORIAN LACE POTHOLDER KITS! Scoured Colors vary. \$3.00. Vintage Recipes for additional \$2.50's. \$8.00/20. GREAT GRANDMA NELL'S, 16100 Promiser Road, Reno, Nevada 89506.

HANDCRAFTED AMISH DOLLS. Toys, furniture and much more. Send \$2.00 refundable to: CATALOG, Box 314, Prewsburg, NY 14738.

BASKETS

DISCOVER BASKET MAKING. Complete basket making supplies. Catalog \$1.00. O.H. PRODUCTIONS CL, 521 East Walnut Street, Scottsville, KY 42164.

BIRD LOVERS

WILDLIFE WATCHERS: Through new device watching and feeding of the common wren. Eating anytime without causing disturbance to it. \$9.95 plus \$2.50 shipping and handling. P.O. Box 2994, Kokomo, IN 46901.

BOOKS & PERIODIC

SECONDARY MARKET PRICE

BUILDING MATERIALS

80 LARGE OLD HAND-HEWN LOGS from 22 x 70 kern. Call W.V. 304-643-6991 after 5:00pm.

BUSINESS OPPORTUNITIES

WE PAY YOU \$246 weekly! Details, rush \$4.95. FOR P.O. Box 237, ...

9537 WEEKLY AT HOME. Easy work, assemble products, start now! Call (800) 420-3017. 18 years/older. Three dollars a minute.

943336 WEEKLY POSSIBLE! Making hairbows at home. ...

EARN MONEY READING books! \$30,000/year income potential. Details. (805) 963-8000, Ext. Y-23422.

COLLECTIBLES

BLACK COLLECTIBLES, PHOTOS available. SECTION AND WATSON, P.O. Box 14298, Augusta, Georgia 30919. 804/796-1408.

DECORATIVE ACCESSORIES

BEAUTIFUL MEXICAN BLANKETS. Send \$2.00 for brochures (refundable) ARMADILLO IMPORTS, Box 830, Johnson City, Texas 78636.

HANDCRAFTED HANDPAINTED DECOR. Unparalleled in craftsmanship quality and collectability. Brochure \$2.50 (Refundable with purchase) DUCKS COVE INC., 180 Talbot Street, Suite 106, Rockville, Maryland 20853-1417, Dept. 391-87.

BEAUTIFY YOUR HOME! Helpful hints on decorating with color. Send \$2.00/LASE COLOR DESIGNS BY SARAH, Box 6132, Channahon, MO 63006.

DO-IT-YOURSELF

WELD, RESTORE, REPAIR. Refinish! Carvings, Metalwork, Brass, Handmade, Vases, Upholstery, Canvas, Lamps. \$1 for unique wholesale catalog. VAN DYKE'S, Dept. 33, Woonsocket, RI 02895.

FINANCIAL

DEBT? BILLS PILING UP? Bad credit is no problem! We'll help. Licensed/Bonded. Application accepted \$500-\$50,000. Not a loan company. UAC, Dept. CL, P.O. Box 26795, Birmingham, AL 35226 or call 24 hours (800) 228-8284.

FURNITURE

SOLID OAK SHELF, 18" x 6" with gallery rail. Medium finish. \$24.95 + \$3.00 s/h. Send \$2.00 for brochure. SHELF SHACK, Box 1256, Linden, CA 94552.

HAND HEWN Catalog and loan Fontana, CA 923.

WATCH REPL. Warranty! Exact weight color. 1000 Uncommon! Call (909) 794-7354.

BEAUTIFUL GOURMET GIFT BASKETS. Free Brochure. OLDS Tyme SWEETS, 25 Broad St., 0278, Prewfield, NJ 07728.

HELP WANTED

Send south

SE.

und/ 201

EXHIBIT A

M

NUSSING HOME Comprehensive genealogy cards. \$14.95. Greenwood, NH 06014

OF

CORRECTABLE! Discount: 20 more. Fr. add 6/75 tax. 174C, Newport Box

ANTIQUE QUILT

CATALOG \$3. TRADIT 5402.

IDAMO - WASHP

wholesale prices. COMPANY, (800) 1

GOVERNMENT

property. Responses \$2425 for census re

AUTHENTIC DU

SASE and \$3.00 to

AUTHENTIC GIN

alcoholic. 1800-que 23303, Rochester, N

AMISH AMERIC

ites. 30 for \$5.00 STORE, Box 465, C

COMPLETE F15

weaving, knobby e mail (Flaming Knits, N. ATLANTIC WI CA 91518)

AUTHENTIC EA

flowers, cardbo. B. 40567-4871.

10 RECIPE FOR

SASE. ELEGANT W/ \$4801.

200 RECIPES: F

FENCE DNR. \$842

DISNEY/EPCOT

meticulously made DAYS/PRING VIL

SEASIDE COTT.

Tide! Fully equip 3629.

EASY FLORAL

600-idea. \$14.95 SUCCESS, Box 3

INVENTORS: C

AMERICAN IN- market. Over 200 1-800-443-1743

Complaint

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EXHIBIT B



ORNAMENTS

PO Box 6010, Fairfield, CA 94533

HELLO -

Let us introduce this unique opportunity to enjoy the Christmas Spirit all year round, and make money doing it! Homespun will instruct you in the age old art form of Quilling Ornaments. Italian nuns in the 17th century brought this art form to life and it still is in demand today. You can learn this skill, and no experience is needed. You will enjoy creating beautiful snowflake ornaments, and have the satisfaction of earning money at the same time! So come, join in the fun and revival of this charming art. Start quilling an heirloom today for a treasure tomorrow!!
(Quilling is a simple paper art, shaping strips of special paper and gluing them together to make an attractive ornament. It's easy!)

WE PAY YOU UP TO \$450.00 WEEKLY

HOMESPUN will pay you \$90 for every set of thirty six ornaments you make! We will purchase up to 5 sets weekly which totals \$450 right in the comfort of your own home, being your own boss.

Our company is presently in need of some hard working independent contractors to produce these ornaments. you work at your own pace. The amount of money you make will depend on your skills, the time you wish to spend, whether you do all the work yourself or have help. You may even sell these ornaments to others at higher prices, to make even more money, it's up to you!

HOW TO START:

First, fill out the application on the back side of this page. Return the application to the Homespun shipping department for immediate shipping of your starter kit. The kit will contain enough materials to produce five ornaments, instructions, color picture, pattern layout, and specifications on supplies.

NO SEWING OR TOOLS REQUIRED. NO EXPERIENCE NEEDED!

QUESTIONS, CALL DURING OUR CUSTOMER SERVICE HOURS 9:30 TO 3 PM
TOLL FREE THROUGH COMDEX 707-428-1345

EXHIBIT B
PAGE 1 OF 2 PAGES

EXHIBIT B

RETURN THIS FORM TO HOMESPUN PRODUCTS INC. PO BOX 6010 FAIRFIELD CA 94533

For Office Use Only

ORNAMENT-APPLICATION (Please Print or Type)

NAME _____
 ADDRESS _____
 CITY _____ STATE _____ ZIP _____
 PHONE _____ SOCIAL SECURITY NUMBER _____
 SIGNATURE _____ DATE _____

| |
|-----|
| AD |
| BN |
| BJ |
| PLR |
| BU |

HOMESPUN will send you a check in the amount of \$90.00 for each unit of 16 ORNAMENTS that you complete according to our written specifications, and send postage paid to Homespun. (\$70.00 labor plus \$20.00 supply cost = \$90.00 total). We currently limit our producers to only five units per week, a total of \$450.00. We will also reimburse for shipping, up to \$4.00 per unit on all units made according to our standards. (If you ship UPS, cost should be under \$4.00 in U.S.).

Since you are self-employed, you are responsible for your own tax records. We do not withhold income taxes, nor do we pay for unemployment benefits, or employee benefits of any kind. You are an independent contractor, with all these responsibilities. You may hire help, use your own methods, and sell elsewhere if you wish.

It is necessary for us to project production and inventory, so Homespun requires our producers to have their first unit in our office no later than 60 total days from the date of the starter package being mailed to you. All future units will have the same requirement. 60 days from the payment of the last unit. There is no payment for partially completed work or incompletd units. We reserve the right refuse unsatisfactory work. We recommend submitting your first sample for approval before beginning production.

Supplies. As an independent contractor you have the right to obtain your own supplies. Buying needed items from your own sources below our suggested supply cost increases our profit per unit of ornaments. By law this is your right, to have this freedom to control your profit margin. Instructions on how and where to obtain supplies are given inside starter kit.

START NOW! Order your starter kit today, this registers you with our inspection department and allows us to receive work from you right away! simply fill out the above application, sign it, and send either a money order or check in the amount of \$39.95. This starter package contains supplies to make five ornaments, color photograph, pattern, instructions, and quality checklist (sample not included). This starter kit is sent on a nonrefundable basis. This fee also pays for computer time inspection of work and other administrative costs.

SAMPLE ONLY. You may order a finished sample on a refundable basis of \$7.00, this allows you to check out the opportunity on a refundable basis. Sample must be returned within 15 days for refund!

- ___ Money order or check for \$39.95 for starter package *NOT AVAILABLE IN CA. Includes shipping & handling First class mail (nonrefundable)
- ___ Sample ornament \$9.95 (\$7 plus \$2.95 shipping charge)-\$7 is refundable
- ___ **FAST SERVICE! SHIP MY KIT WITHIN 3 DAYS OF YOUR RECEIVING IT! \$3.95 EXTRA**



EXHIBIT B
PAGE 2 OF 2 PAGES

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DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the San Francisco Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission would charge respondents with violation of the Federal Trade Commission Act; and

The respondents, their attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, and no comments having been filed thereafter by interested parties pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby makes the following jurisdictional findings and enters the following order:

1. Respondent Homespun Products, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the State of California, with its principal office and place of business located at 201 Benton Court, Suisun, California.

Respondent G & S Marketing, Inc. is a corporation organized, existing, and doing business under and by virtue of the laws of the State of California, with its principal office or place of business located at 201 Benton Court, Suisun, California.

Respondent Gregory A. Straw is an officer of said corporation. He formulates, directs and controls the policies, acts and practices of said corporation and his address is the same as that of the corporation.

2. The acts and practices of respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

3. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

For purposes of this order, the following definitions shall apply:

"*Work Opportunity*" means any offer to a person to earn income by producing goods or providing services, where (1) the offeree must pay to the offeror, or a person identified by the offeror, any amount of money, whether in the form of a registration, application or other fee, a payment for initial inventory or supplies, or in any other form, as a condition of participating; and (2) the offeror represents that the offeree will or could be compensated in any manner by the offeror or by a person identified by the offeror.

"*Participant*" means any person who pays the offeror of a work opportunity, or a person identified by such offeror, any amount of money, whether in the form of a registration, application or other fee, a payment for initial inventory or supplies, or in any other form, as a condition of participating in a work opportunity.

"*Net Earnings or Profits*" means the compensation paid to a participant in a work opportunity, less the costs to a participant of materials, supplies and shipping.

I.

It is ordered, That respondents Homespun Products, Inc., a corporation, G & S Marketing, Inc., a corporation, their successors and assigns, and their officers, and Gregory A. Straw, individually and as an officer of Homespun Products, Inc. and G & S Marketing, Inc., and respondents, agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the marketing, advertising, promotion, offering, or sale of any work opportunity, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Making any material misrepresentation, including but not limited to:

1. Misrepresenting the past, present or potential future earnings or profits of participants in any work opportunity; or
2. Misrepresenting the marketplace demand for any product or service for which respondents are offering a work opportunity.

B. Making any earnings-related or profit-related claim which uses the phrase "up to" or words of similar import or which states any dollar amount, unless the stated level of earnings or profits constitutes the net earnings or profits which can be achieved by an appreciable number of participants; and further, in any instances where consumers could not reasonably foresee the major factors or conditions affecting the ability to achieve the stated level of earnings or profits, cease and desist from failing to disclose clearly and prominently the class of consumers who can achieve the stated level.

II.

It is further ordered, That for three (3) years after the last date of dissemination of any representation covered by this order, respondents, or their successors and assigns, shall maintain and upon request make available to the Federal Trade Commission for inspection and copying:

A. Specimen copies of all materials disseminated which contain such representation;

B. All materials that were relied upon as substantiation in disseminating such representation;

C. The names, addresses and telephone numbers of all work opportunity participants who paid any money to respondents within the previous three years; and

D. The names, addresses and telephone numbers of all work opportunity participants who earned any income or profits from respondents during the previous three years, and for each such participant: all written agreements between respondents and each participant during the previous three years; and the dates and amounts of all payments paid to each participant for work completed pursuant to the work opportunity during the previous three years.

III.

It is further ordered:

A. That respondents Homespun Products, Inc., G & S Marketing, Inc. and Gregory A. Straw shall pay to the FTC as consumer redress the sum of one million and forty thousand dollars (\$1,040,000); provided however, that this liability will be suspended, subject to the provisions of subpart B below.

B. That the Commission's acceptance of this order is expressly premised upon the representations regarding the financial condition of the respective respondents made to the FTC in a "Financial Statement of Corporate Defendant" relating to Homespun Products, Inc., dated February 12, 1993; a "Financial Statement of Corporate Defendant" relating to G & S Marketing, Inc., dated February 12, 1993; a "Financial Statement of Debtor" executed by Gregory A. Straw, dated February 8, 1993; the federal income tax returns of Homespun Products, Inc. for 1990, 1991 and 1992; the federal income tax returns for G & S Marketing, Inc. for 1991 and 1992; and the federal income tax returns for Gregory A. Straw and Susan M. Straw for 1991 and 1992. After service upon respondents of an order to show cause, the FTC may reopen this proceeding to make a determination whether there are any material misrepresentations or omissions in said representations regarding the financial condition of the respective respondents. Respondents shall be given an opportunity to present evidence on this issue. If, upon consideration of respondents' evidence and other information before it, the FTC determines that there are any material misrepresentations or omissions in the financial statements and related documents, that determination shall cause the entire amount of monetary liability of one million and forty thousand dollars (\$1,040,000) to become immediately due and payable to the Federal Trade Commission, and interest computed at the rate prescribed in 28 U.S.C. 1961, as amended, shall immediately begin to accrue on the unpaid balance. Proceedings initiated under part III are in addition to, and not in lieu of, any other civil or criminal remedies as may be provided by law, including any proceedings the Federal Trade Commission may initiate to enforce this order.

IV.

It is further ordered, That the corporate respondents shall notify the Commission at least thirty (30) days prior to any dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, or any other change in the corporations that may affect compliance obligations arising out of the order.

V.

It is further ordered, That the individual respondent shall promptly notify the Commission of the discontinuance of his present business or employment and, for a period of five (5) years after the date of service of this order, shall promptly notify the Commission of each affiliation with a new business or employment.

VI.

It is further ordered, That respondents shall, within sixty (60) days after service of this order on them, and on the first through the fifth anniversaries of the effective date of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which they have complied with this order.

IN THE MATTER OF

SANDCASTLE CREATIONS, ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT

Docket C-3484. Complaint, Mar. 17, 1994--Decision, Mar. 17, 1994

This consent order prohibits, among other things, the Oregon-based respondents, who marketed potholders and mohair for use as doll's hair, from making any material misrepresentations regarding earnings or profits of participants in any work opportunity and from making misrepresentations about the marketplace demand for any product or service for, which the respondents are offering a work opportunity. In addition, the order sets a \$536,000 redress payment, however, based upon financial statements submitted by the respondents, the order suspends all redress payments, except for a \$25,000 payment by the individual respondents in this matter.

Appearances

For the Commission: *Gerald E. Wright* and *Jeffrey Klurfeld*.

For the respondents: *James Brown, Enfield, Guimont & Brown*,
Salem, OR.

COMPLAINT

The Federal Trade Commission, having reason to believe that William E. Taylor and Susan L. Taylor, individually, and trading and doing business as Sandcastle Creations ("respondents"), have violated Section 5 of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it would be in the public interest, alleges:

PARAGRAPH 1. Respondents William E. Taylor and Susan L. Taylor are individuals, trading and doing business as Sandcastle Creations, an unincorporated association, with its principal office and place of business located at 126 S.E. 1st Street, Newport, Oregon.

Respondent William E. Taylor is a co-owner of Sandcastle Creations. Individually or in concert with others, he formulates, directs and controls the policies, acts and practices of Sandcastle Creations and his address is the same as that of Sandcastle Creations.

Respondent Susan L. Taylor is a co-owner of Sandcastle Creations. Individually or in concert with others, she formulates, directs and controls the policies, acts and practices of Sandcastle Creations and her address is the same as that of Sandcastle Creations.

PAR. 2. Respondents have disseminated advertising seeking individuals to assemble craft items and clean goat hair at home, and have offered for sale and sold introductory kits to individuals who accept their offers to engage in such work.

PAR. 3. The acts and practices of respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. Respondents have disseminated, and have caused to be disseminated advertisements, promotional literature, and agreements relating to their income opportunities, including but not necessarily limited to the attached Exhibits A to C. These materials contain the following statements:

\$345.50 WEEKLY POSSIBLE! Make kitchen potholders at home! Turn your skills into dollars! Start immediately. Send \$1.00 + SASE ...

MAKE POTHOLDERS AT HOME

WE PAY UP TO \$277.50 WEEKLY!!

Work at Home! Make Money! Have Fun!
Start Immediately!

CLEAN MOHAIR FOR DOLL HAIR!

WE PAY UP TO \$360.00 WEEKLY!

This is our Best Money Making Home Business!

If you are serious about working at home for yourself and you want to make extra money, this can be an excellent home business!

PAR. 5. Through the use of the statements contained in the materials referred to in paragraph four, including but not necessarily limited to the materials attached as Exhibits A to C, respondents have represented, directly or by implication, that the stated dollar amounts constitute the weekly earnings regularly realized over a substantial period of time by an appreciable number of independent assemblers of respondents' products.

PAR. 6. In truth and in fact, independent assemblers of respondents' products have not regularly realized over a substantial period of time the weekly earnings represented. Only a small percentage of persons who assembled products for respondents have regularly derived earnings from their work, and none has achieved over a substantial period of time the weekly earnings represented. Therefore, the representations set forth in paragraph five were, and are, false and misleading.

PAR. 7. The acts and practices of respondents as alleged in this complaint, constitute unfair and deceptive acts or practices in or affecting commerce in violation of Section 5(a)(1) of the Federal Trade Commission Act.

Complaint

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EXHIBIT A

**MAKE POTHOLDERS
AT HOME**

WE PAY UP TO \$277.50 WEEKLY!!

*Work at Home! Make Money! Have Fun!
Start Immediately!*

Sandcastle Creations purchases from independent people like you all over America who make crafts for fun and money. This is not a 'get rich quick' scheme. While we are happy to purchase the maximum amount from you, we find that the majority of producers do not work at this full time. Rather, this project typically appeals to people who are looking to produce a craft item that earns them extra money in their spare time. The craft items we currently buy are beautifully handcrafted kitchen potholders. The design is "Max, the Country Cat," a machine sewn padded mitten with simple embroidery for the outline facial features of a cat. The design is original, and many of our producers say they are fun and easy to sew!

Turn Your Skills into Dollars!

Sandcastle Creations will pay you \$92.50 for each unit of (29) potholders we buy. We will buy up to 3 units weekly, for which we will pay you \$277.50. You can send one or more units at a time. As an independent contractor you are your own boss. You work at your own pace. Honest effort is the key to business success. The amount of money you make will depend on your skills, organization and the amount of time you wish to spend, and whether you have help, or work by yourself.

There is no selling required. All you need to do is produce potholders. If you are serious about making money, and want to work at home, in your own business, Sandcastle Creations will buy from you starting immediately!

Sandcastle Creations Pays Shipping!

Shipping is a hidden cost that would cut into your profits. For each unit we buy, we pay you an extra \$5.00! to cover your shipping expenses. (UPS shipping in the U.S. should be less than \$5.00.) Therefore, you will receive a check from us for a total of \$97.50, (\$92.50 plus \$5.00 shipping) for each unit we buy.

How To Get Started:

Fill out the application on the back and send it in for your "start up package". The "start up package" includes: 1) a sample potholder for your inspection and guidance, 2) all supplies and materials needed to make one practice potholder, 3) a pattern with complete specifications, plus 4) our signed written guarantee to purchase your successfully completed units. *This package will get you started into business!*

The price of our "start up package" is only \$31.95, which is refundable (see other side). This helps defray the cost of advertising, printing, processing, accounting, supplies and management of your file. You will find that your investment more than pays for itself once we purchase your first unit of potholders.

Questions.....? Call (503) 265-2499, 10:00 a.m. to 1:00 p.m., Pacific time, weekdays.

EXHIBIT A

Agreement

(Please Type or Print Clearly)

OFFICE USE ONLY-

| | |
|----------------------------------|--------------------|
| Name _____ | Date Rec'd. _____ |
| Address _____ | Date Shipped _____ |
| City _____ State _____ Zip _____ | Insp. Date _____ |
| Soc. Sec.# _____ Phone () _____ | Units Rec'd. _____ |
| Signature _____ Date _____ | _____ |

Sandcastle Creations agrees to buy and pay you \$92.50 for each unit of (29) potholders, that are completed according to the written specifications. We are willing to buy from you a maximum of 3 units per week for a total of \$277.50 weekly, plus shipping. For every unit we buy we will promptly pay you \$92.50 (\$57.50 for production and \$35.00 for supplies) plus an additional \$5.00 to cover shipping expenses, for a total of \$97.50. You may produce and ship us one or more units at a time, up to 3 units per week.

Please send your first shipment of at least one unit within 75 days from the date that the "start up package" was mailed to you. From then on send us at least one unit every 60 days from the date of our last payment to you to keep this agreement valid. Sandcastle Creations reserves the right to refuse unsatisfactory work, which we will return to you. We do not accept partial units.

Since you are a self-employed independent contractor, you make your own business decisions and keep your own business records. You buy your supplies from, or sell your potholders to whoever you choose. While the choice is yours, we guarantee payment under the terms described above.

We will furnish payment records to you and the IRS, at the end of each year, when our payments to you exceed \$600.00 as required by law. Keep in mind we do not withhold income taxes, pay social security, unemployment insurance or provide employment benefits of any kind. These are your responsibilities as an independent contractor.

To receive your "start up package", simply fill out the agreement, sign it, and send either a money order or a personal check in the amount of \$31.95 plus \$4.95 shipping and handling to Sandcastle Creations at the address listed below. Your "start up package" will include all the necessary specifications, pattern, quality check list, and a completed potholder for you to use as a sample. In addition we will include all supplies necessary for you to make one practice potholder. Most importantly we will include our written guarantee to purchase potholders from you as outlined in this agreement. If not completely satisfied with our "start up package", simply return it unused, and in reusable form, within 15 days for a full refund (\$31.95). Acceptance of any refund will void this agreement.

TO ORDER "Start Up Package":

- Enclose \$31.95 plus \$4.95 shipping & handling (\$36.90 total)
 ___ Money Order (allow 2 weeks)
 ___ Personal Check (allow 4 weeks)
- (optional) Special Handling "\$2.95 Extra (\$39.85 total)
 Next day shipment, MONEY ORDERS ONLY (non-refundable)
- (optional) Potholder ONLY (non-refundable)
 Enclose \$7.75 plus \$1.25 shipping & handling (\$9.00 total)
 (without "start up package")

RETURN THIS FORM TO:

Sandcastle Creations
 Potholder Shipping Dept.
 P.O. Box 563
 Newport, OR 97365
 (503) 265-2499

Make checks or money order payable to: Sandcastle Creations
 (U.S. Funds ONLY)

Complaint

117 F.T.C.

EXHIBIT B



CLEAN MOHAIR FOR DOLL HAIR



WE PAY UP TO \$360.00 WEEKLY!

*Work at Home, No Expensive Equipment! Start Immediately!
This is Our Best Money Making Home Business!*

Mohair is a soft, silky natural fiber that is sheared from Angora goats. We sell it to craft stores and doll makers. Before they buy the mohair it must be cleaned. The cleaning is done by soaking the mohair in hot soapy water. After drying any remaining particles of dirt are removed with a comb. That's all there is to it. We call it processing. If you are serious about working at home for yourself and you want to make extra money, this can be an excellent home business!

HOW YOU MAKE MONEY!

Sandcastle Creations will pay you (\$60.06 for processing plus \$29.95 for supply cost) plus \$5.00* for your shipping cost. A total of \$90.00 for each 29 oz. unit we buy from you. We will inspect your processed mohair when we receive it, and then promptly send you a check for \$95.00 for each unit you have completed. To control our inventory we must limit our purchases to a maximum of four units per week, which totals \$380.00 per week (plus shipping). The amount of money you make will depend on the time you spend, your processing speed, whether you have help or do all the work yourself.

* We pay the shipping. So you make a full profit! We pay \$5.00 extra for every unit we buy. This will cover your shipping cost in the U.S.A. (see above)

HOW TO GET STARTED

Sandcastle Creations will send you a beginner's practice package. Each package includes helpful suggestions from successful processors, complete information on obtaining supplies, raw mohair and supplies to practice with, plus clean mohair to use as a sample. The purpose of this package is for you to practice processing, so that you will learn to process quickly and easily.

The price of your practice package is \$31.95, which is fully refundable (see other side). You will find your investment more than paid for with the successful completion of your first units.

QUESTIONS? • WE INVITE YOUR CALL • (503) 285-2499

Sandcastle Creations

Complaint

EXHIBIT B

Agreement

(Please Type or Print Clearly)

-OFFICE USE ONLY-

| | |
|--|--------------------|
| Name _____ <small>First M.I. Last</small> | Date Rec'd _____ |
| Address _____ | Date Shipped _____ |
| City _____ State _____ Zip _____ | Insp. Date _____ |
| Soc. Sec./ _____ Phone (_____) _____ | Units Rec'd _____ |
| Signature _____ Date _____ | _____ |

Sandcastle Creations will buy, and send you a check for \$90.00 plus shipping of \$5.00 (\$95.00 total) for each 29 oz. unit of processed mohair that you complete according to the written specifications. We are willing to purchase a maximum of four units per week, for a total of \$380.00 per week, plus shipping (\$5.00 per unit).

Work at your own speed, just send your first shipment of at least one unit within 60 days from the date that the practice package was mailed to you. Then send us at least one unit every 60 days from the date of our last purchase to keep this agreement valid. We will not pay for partially completed units, and reserve the right to refuse unsatisfactory work, which we will return to you C.O.D.

Since you are self-employed you make your own decisions. You may buy raw mohair from our referral source of supply or from any other source, sell processed mohair to others if you choose, and must keep your own tax records. We will not withhold income taxes, nor do we pay unemployment benefits, or employee benefits of any kind, because you are an independent contractor with all of these responsibilities. As required by law, we will furnish payment records to you and the I.R.S. at the end of the year when our payments to you exceed \$600.00.

To receive your practice package, simply fill out the agreement, sign it, and send your payment of \$36.90 (\$31.95 plus \$4.95 for postage and handling) to Sandcastle Creations at the address listed below. If not completely satisfied with your practice package, simply return UNOPENED mohair packages unopened within 15 days for a full refund (\$31.95). Acceptance of any package will void this agreement.

QUESTIONS? • WE INVITE YOUR CALL • (503) 285-2488

| |
|--|
| <p>MONEY ORDER \$36.90 Allow 2 weeks for delivery</p> <p><input type="checkbox"/></p> <p><small>See also: Special Handling Box!</small></p> |
|--|

| |
|---|
| <p>PERSONAL CHECK \$36.90 Allow 4 weeks for delivery</p> <p><input type="checkbox"/></p> |
|---|

| |
|--|
| <p>- OPTIONAL - SPECIAL HANDLING \$2.95 Immediate Shipment when Money Order enclosed (\$38.85 Total)</p> <p><input type="checkbox"/></p> |
|--|

Make checks or money order payable to:
Then send with completed form to:

U.S. Funds Only

Sandcastle Creations
Mohair Shipping Dept.
P.O. Box 563
Newport, OR 97365

This offer is only
available in
The United States
of America

Complaint

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EXHIBIT C

HOMENORKEI
weekly part time
Cumberland, N
MAKING BABY
Sand SASE. Am

STAMPING TO BEA ZEBRA (37) 10mp. 10 boxes.
1345.50 WEEKLY POSSIBLE! Make kitchen polholders at
home! Turn your stuffs into dollars! Start immediately! Sand
\$1.00 + SASE: Sandcastle Creations-B. Box 563, Newport,
OR 97365.
1 WWWW ON E AEW WAVEY AT WAVE 1 WWA 1

CRAFTS magazine, March, 1991, p. 103

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the San Francisco Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission would charge respondents with violation of the Federal Trade Commission Act; and

The respondents, their attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, and no comments having been filed thereafter by interested parties pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby makes the following jurisdictional findings and enters the following order:

1. Respondents William E. Taylor and Susan L. Taylor are individuals, trading and doing business as Sandcastle Creations, an unincorporated association, with its principal office and place of business located at 126 S.E. 1st Street, Newport, Oregon.

Respondent William E. Taylor is a co-owner of Sandcastle Creations. Individually or in concert with others, he formulates, directs and controls the policies, acts and practices of Sandcastle Creations and his address is the same as that of Sandcastle Creations.

Respondent Susan L. Taylor is a co-owner of Sandcastle Creations. Individually or in concert with others, she formulates, directs and controls the policies, acts and practices of Sandcastle Creations and her address is the same as that of Sandcastle Creations.

2. The acts and practices of respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

3. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

For purposes of this order, the following definition shall apply:

"*Work Opportunity*" means any offer to a person to earn income by producing goods or providing services, where (1) the offeree must pay to the offeror, or a person identified by the offeror, any amount of money, whether in the form of a registration, application or other fee, a payment for initial inventory or supplies, or in any other form, as a condition of participating; and (2) the offeror represents that the offeree will or could be compensated in any manner by the offeror or by a person identified by the offeror.

"*Participant*" means any person who pays the offeror of a work opportunity, or a person identified by such offeror, any amount of money, whether in the form of a registration, application or other fee, a payment for initial inventory or supplies, or in any other form, as a condition of participating in a work opportunity.

"*Net Earnings or Profits*" means the compensation paid to a participant in a work opportunity, less the costs to a participant of materials, supplies and shipping.

I.

It is ordered, That respondents William E. Taylor and Susan L. Taylor, individually and trading and doing business as Sandcastle Creations, an unincorporated association, and respondents' agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the marketing, advertising, promotion, offering, or sale of any work opportunity, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Making any material misrepresentation, including but not limited to:

1. Misrepresenting the past, present or potential future earnings or profits of participants in any work opportunity; or
2. Misrepresenting the marketplace demand for any product or service for which respondents are offering a work opportunity.

B. Making any earnings-related or profit-related claim which uses the phrase "up to" or words of similar import or which states any dollar amount, unless the stated level of earnings or profits constitutes the net earnings or profits which can be achieved by an appreciable number of participants; and further, in any instances where consumers could not reasonably foresee the major factors or conditions affecting the ability to achieve the stated level of earnings or profits, cease and desist from failing to disclose clearly and prominently the class of consumers who can achieve the stated level.

II.

It is further ordered, That for three (3) years after the last date of dissemination of any representation covered by this order, respondents shall maintain and upon request make available to the Federal Trade Commission for inspection and copying:

A. Specimen copies of all materials disseminated which contain such representation;

B. All materials that were relied upon as substantiation in disseminating such representation;

C. The names, addresses and telephone numbers of all work opportunity participants who paid any money to respondents within the previous three years; and

D. The names, addresses and telephone numbers of all work opportunity participants who earned any income or profits from respondents during the previous three years, and for each such participant: all written agreements between respondents and each participant during the previous three years; and the dates and amounts of all payments paid to each participant for work completed pursuant to the work opportunity during the previous three years.

III.

It is further ordered:

A. That respondents shall jointly and severally pay to the FTC as consumer redress the sum of five hundred and thirty-six thousand dollars (\$536,000); provided, however, that this liability will be suspended, subject to the provisions of subparts B and D below, upon the payment of twenty-five thousand dollars (\$25,000) no later than fifteen (15) days after the date of service of this order. Such payment shall be made by cashier's check or certified check payable to the Federal Trade Commission and shall be delivered to the Federal Trade Commission, San Francisco Regional Office, 901 Market Street, Suite 570, San Francisco, CA.

B. That, in the event of respondents' default on the \$25,000 payment set forth in subpart A above, the amount of five hundred and thirty-six thousand dollars (\$536,000), less the sum of any payments made pursuant to subpart A above, shall become immediately due and payable without any notice required to be given to the respondents, and interest computed at the rate prescribed under 28 U.S.C. 1961, as amended, shall immediately begin to accrue on the unpaid balance.

C. That any funds paid by respondents pursuant to subparts A and B above shall be paid into a redress fund administered by the Federal Trade Commission and shall be used to provide direct redress to those purchasers of respondents' introductory kits (as described in the complaint) who have not previously been reimbursed by respondents for the cost of the kit through a refund or through the purchase of finished product. If the Federal Trade Commission determines, in its sole discretion, that the redress to purchasers (as defined above) is wholly or partially impracticable, any funds not so used shall be paid to the United States Treasury. Respondents shall be notified as to how the funds are disbursed, but shall have no right to contest the manner of distribution chosen by the Commission. No portion of the payment as herein described shall be deemed a payment of any fine, penalty, or punitive assessment.

D. That the Commission's acceptance of this order is expressly premised upon the financial statements and related documents previously provided by respondents to the FTC, signed and dated July 27, 1992. After service upon respondents of an order to show

cause, the FTC may reopen this proceeding to make a determination whether there are any material misrepresentations or omissions in said financial statements and related documents. Respondents shall be given an opportunity to present evidence on this issue. If, upon consideration of respondents' evidence and other information before it, the FTC determines that there are any material misrepresentations or omissions in the financial statements and related documents, that determination shall cause the entire amount of monetary liability of five hundred and thirty-six thousand dollars (\$536,000), less the sum of any payments made under subpart A above, to become immediately due and payable to the Federal Trade Commission, and interest computed at the rate prescribed in 28 U.S.C. 1961, as amended, shall immediately begin to accrue on the unpaid balance. Proceedings initiated under part III are in addition to, and not in lieu of, any other civil or criminal remedies as may be provided by law, including any proceedings the Federal Trade Commission may initiate to enforce this order.

IV.

It is further ordered, That the individual respondents shall promptly notify the Commission of the discontinuance of their present business or employment and, for a period of five (5) years after the date of service of this order, shall promptly notify the Commission of each affiliation with a new business or employment.

V.

It is further ordered, That respondents shall, within sixty (60) days after service of this order on them, and on the first through the fifth anniversaries of the effective date of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which they have complied with this order.

IN THE MATTER OF

NEW MEXICO CUSTOM DESIGNS, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT

Docket C-3485. Complaint, Mar. 17, 1994--Decision, Mar. 17, 1994

This consent order prohibits, among other things, the New Mexico-based corporation and its officer, who claimed to sell beaded earrings, from making any material misrepresentations regarding earnings or profits of participants in any work opportunity and from making misrepresentations about the marketplace demand for any product or service for which the respondents are offering a work opportunity. In addition, the order sets a redress payment, however, based upon financial statements submitted by the respondents, the redress payments have been suspended.

Appearances

For the Commission: *Gerald E. Wright* and *Jeffrey Klurfeld*.

For the respondents: *Garry Harrell*, Albuquerque, N.M.

COMPLAINT

The Federal Trade Commission, having reason to believe that New Mexico Custom Designs, Inc., a corporation, and Anthony L. Ingram, individually and as an officer of said corporation ("respondents"), have violated Section 5 of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it would be in the public interest, alleges:

PARAGRAPH 1. Respondent New Mexico Custom Designs, Inc. is a New Mexico corporation, with its principal office or place of business at 8415 Washington Place, N.E., Suite D, Albuquerque, New Mexico.

Respondent Anthony L. Ingram is an officer of the corporate respondent. Individually or in concert with others, he formulates, directs and controls the acts and practices of the corporate respondent, including the acts and practices alleged in this complaint.

His principal office and place of business is the same as that of the corporate respondent.

PAR. 2. Respondents have disseminated advertising seeking individuals to assemble craft items and other products at home, and have offered for sale and sold introductory kits and craft materials to individuals who accept their offers to engage in such work.

PAR. 3. The acts and practices of respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. Respondents have disseminated, and have caused to be disseminated advertisements, promotional literature, and agreements relating to their income opportunities, including but not necessarily limited to the attached Exhibit A. These materials contain the following statements:

Urgent! Home assemblers needed! Up to \$280 a week! Beaded Earrings!...
Learn to make quality beaded earrings and earn up to \$280.10 a week at home!

PAR. 5. Through the use of the statements contained in the materials referred to in paragraph four, including but not necessarily limited to the materials attached as Exhibit A, respondents have represented, directly or by implication, that:

A. The stated dollar amounts constitute the weekly earnings regularly realized over a substantial period of time by an appreciable number of independent assemblers of respondents' products.

B. Respondents are fulfilling a significant marketplace demand for their products.

PAR. 6. In truth and in fact:

A. Independent assemblers of respondents' products have not regularly realized over a substantial period of time the weekly earnings represented. Only a small percentage of persons who assembled products for respondents have regularly derived earnings from their work, and none has achieved over a substantial period of time the weekly earnings represented.

B. Respondents are not fulfilling a significant marketplace demand for their products.

Therefore, the representations set forth in paragraph five were, and are, false and misleading.

PAR. 7. The acts and practices of respondents as alleged in this complaint, constitute unfair and deceptive acts or practices in or affecting commerce in violation of Section 5(a)(1) of the Federal Trade Commission Act.

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Complaint

EXHIBIT A

QUALITY COSTUME JEWELRY

WE PAY UP TO \$280.00 FULL-TIME OR \$150.00 PART-TIME
FOR YOU TO ASSEMBLE EARRINGS IN YOUR HOME

GOOD DAY!

Thank you for inquiring about New Mexico Custom Designs, Inc. It is no wonder in this day and age with the rising costs of child care, transportation, clothing, meals, etc. that so many people are choosing to work from their homes. Some of the main reasons that our assemblers give are: It enables parents to earn money and care for their children without incurring expenses for child care, transportation, or clothing suitable for work outside the home; it provides income opportunities for senior citizens and handicapped persons; it helps to remove single parents from welfare rolls and place them in the work force; and it helps people to earn money and care for sick or elderly family members. But whatever your reasons are, you have come to the right place.

WE NEED YOU!

NO EXPERIENCE IS NECESSARY. If you feel that you can string beads on a needle and thread and then tie a knot, we think this work is for you. We have people from all walks of life who are making an income on a part-time or full-time basis by using basic skills to follow our guidelines and instructions.

WHO ARE WE AND WHAT DO WE DO?

New Mexico Custom Designs, Inc. is a southwestern based family run company. We produce and market various products that are sold and distributed throughout the United States. Most of our products are made by homeworkers like yourself.

WHY DO WE USE HOMEWORKERS?

Because it benefits all of us. Since you are an independent contractor, you are your own boss! That means you can work when you want and take off when you want. Nobody tells you when you have to work. That means vacations can be planned around your family and friends -- not at the company's convenience. You can also choose the time of day you wish to work. For instance, if you have a full time job but you are looking for extra income to pay off some bills or to save for vacation, school, etc. you can participate on a part-time basis. This allows you to do the work in the evening after the kids have gone to bed or during your spare time. You help us because our overhead is lower and our facilities smaller than that of a factory outlet. It is a win-win situation!

PLEASE READ AND FILL OUT THE AGREEMENT (ON REVERSE SIDE) FOR QUICK PROCESSING.

Looking forward to working with you ... and making you a part of our family!

Sincerely,

HERE IS HOW OUR COMPANY WORKS!

We offer part-time and full-time units. Part-time consists of one unit, and full-time consists of two units. You may choose at any time which you prefer. Each unit includes: material for approximately 25 pair of earrings, instructions, photocopy of completed earrings, ear wires, thread, beading needle and beads. If you choose to do one unit we will send you payment of up to \$150.00 and up to \$280.00 for two units. It's that easy.

HOW TO GET STARTED RIGHT AWAY!

Some people know immediately that this type of program is right for them while others might not be so sure that they can assemble these earrings. Therefore, we have put together an intro kit to give everyone a chance to see what we have to offer before committing to anything. This intro-kit includes instructions, photocopy of completed products, unit order form, enough materials for five pair of earrings including ear wires, thread, beading needle and beads. This kit is complete and will give you a good understanding of how to assemble these earrings. The kit must be purchased by every independent contractor and is yours to keep. From that point on you can either purchase materials on your own or from New Mexico Custom Designs, Inc., whichever you choose. Have no Fear! You have 15 days to review the intro kit. If you feel that the work is not for you or you would like to send back the kit for a refund, simply return the kit in the same condition that you received it and we will send you a refund minus a handling charge.

Remember you do not have to wait the 15 days to start! If you want to start right away return the unit order form and purchase your own materials at a local crafts store and you are started! The intro kit gets you set up in our program as an independent contractor as soon as you receive it.

WE WANT YOU TO HAVE THE CREDIT!

NMCD, Inc. takes tremendous pride in the high standard of quality of our earrings. People always ask who makes our earrings, and we believe in giving credit where credit is due. Therefore, as an option, those of you who make the earrings to company specifications can request that we send you our display cards for you to autograph so that your initials can be displayed along with your quality work.

EXHIBIT A

YES!

I am interested in getting started right away with the assembly of costume jewelry for New Mexico Custom Designs, Inc. I understand that I am an independent contractor with New Mexico Custom Designs, Inc. and I am not obligated to produce units unless I want to. I also understand that I can work full-time or part-time, whichever I choose. If I want to do one unit part-time then I will be paid up to \$150; I will be paid up to \$280 full-time for two units, provided that I follow company guidelines and quality control. The enclosed \$29.95 is for my purchase of the IntroKit which includes materials for five sets of earrings, ear wires, thread, beading needle, beads, photocopy, instructions, and unit order form so that I can purchase unit materials for the jewelry. All unit materials will be paid for by me up front and reimbursed in the unit price provided the units pass inspection; breakdown as follows:

| | | | |
|--|----------|--|----------|
| One Unit (25 pair) Part-Time | | Two Units (50 pair) Full-Time | |
| Contract Labor | \$130.00 | Contract Labor | \$240.00 |
| Reimbursement for Material Fee | 20.00 * | Reimbursement for Material Fee | 40.00 |
| Total payment to you | \$150.00 | Total payment to you | \$280.00 |

DETAILS FOR A BETTER UNDERSTANDING. If you purchase your own materials then they must be exactly like those in your intro kit. We will not accept different shape beads or colors than those sent to you in the intro kit. If you have any questions, please call us before you buy anything.

No intro kit refunds are given once you participate in the program as an independent contractor or if the intro kit has been used or damaged. If you return the intro kit to us within 15 days for a refund, a handling charge of \$8.95 will be subtracted from the cost of the intro kit for a refund of \$21.00.

You have 60 days to return your units. Any units returned after sixty days from the date of purchase or your last payment will not be accepted. This is due to style changes that may occur.

Please understand that we are in the business of selling good quality products on a wholesale and retail level, therefore we must set certain guidelines for quality control. If the unit does not meet the standards outlined in the instructions, we will not pay for the unit. As a result, we must reserve the right to refuse work that we feel is inferior to our standards. Our guidelines are not unrealistic, just practical. New Mexico Custom Designs, Inc. does not guarantee or represent that it can sell any or all costume jewelry, (however this does not affect your payment). It is also understood that I do not have to sell the earrings for New Mexico Custom Designs, Inc.! Only produce them! Any tax records of earnings, including income taxes, social security benefits, and unemployment insurance is my own responsibility. Termination of this offer may be effected by either party with a 30-day written notice. Void where prohibited by law.

Compare us with the others. Are the weekly amounts that some companies advertise outrageously high? If so the work is probably difficult and requires a lot of time. NMCD, Inc. supplies easy to follow instructions and guidelines. Full-time should not require over forty hours a week. Some companies give refunds, however their time limit of 7 days is so short that by the time you receive the information and review it, you have exceeded the limit and therefore you can not get a refund. NMCD, Inc. offers a full 15 day refund policy. Does the company have a customer service number where you can reach someone if you have a question? NMCD, Inc.'s number is 505-821-2245. It is always important to read and understand the literature of any company before sending any money. We are not responsible for lost or misdirected mail.

MY GOAL IS TO:

1. make a good income at my convenience.
2. not have to sell or advertise the product, unless I choose to.
3. review the program for 15 days before deciding to participate, or receive \$21.00 back by returning the review kit.
4. get started right away!

* Does not include shipping and handling.

REASONS TO PARTICIPATE!

1. We pay up to \$280 full-time for you to work at your home as an individual contractor.
2. You do not have to advertise or sell any products if you choose not to (just assemble).
3. Limited 15 day money-back guarantee -- which gives you time to make a decision.
4. Be your own boss and work when you want or vacation when you want.

SIGNATURE _____ Date _____

TO GET STARTED RIGHT AWAY

Please return this signed and completed Agreement Form to:
New Mexico Custom Designs, Inc. • Intro-Kit • PO Box 27417 • Albuquerque, NM 87125
(505) 821-2245

PLEASE PRINT

Name _____ Social Security Number _____

Address _____

City _____ State _____ Zip _____

Phone () _____

- Check Payment Method: Money Order for \$29.95 Gets you started immediately!
 Personal or Business Check (allow 15 business days for clearing)
 Special Handling, add an additional \$2.00

AMOUNT ENCLOSED _____ Please Fill In Amount Of Payment

WARNING Copyright 1991, any reproduction of this material in whole or in part without permission from New Mexico Custom Designs, Inc. is prohibited by law.

OFFICIAL USE ONLY, PLEASE DO NOT WRITE IN THIS SPACE

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the San Francisco Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission would charge respondents with violation of the Federal Trade Commission Act; and

The respondents, their attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, and no comments having been filed thereafter by interested parties pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby makes the following jurisdictional findings and enters the following order:

1. Respondent New Mexico Custom Designs, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the State of New Mexico, with its principal office and place of business located at 8415 Washington Place, N.E., Suite D, Albuquerque, New Mexico.

Respondent Anthony L. Ingram is an officer of said corporation. He formulates, directs and controls the policies, acts and practices of said corporation and his address is the same as that of the corporation.

2. The acts and practices of respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

3. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

For purposes of this order, the following definitions shall apply:

“*Work Opportunity*” means any offer to a person to earn income by producing goods or providing services, where (1) the offeree must pay to the offeror, or a person identified by the offeror, any amount of money, whether in the form of a registration, application or other fee, a payment for initial inventory or supplies, or in any other form, as a condition of participating; and (2) the offeror represents that the offeree will or could be compensated in any manner by the offeror or by a person identified by the offeror.

“*Participant*” means any person who pays the offeror of a work opportunity, or a person identified by such offeror, any amount of money, whether in the form of a registration, application or other fee, a payment for initial inventory or supplies, or in any other form, as a condition of participating in a work opportunity.

“*Net Earnings or Profits*” means the compensation paid to a participant in a work opportunity, less the costs to a participant of materials, supplies and shipping.

I.

It is ordered, That respondents New Mexico Custom Designs, Inc., a corporation, its successors and assigns, and its officers, and Anthony L. Ingram, individually and as an officer of New Mexico Custom Designs, Inc., a corporation, and respondents, agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the marketing, advertising, promotion, offering, or sale of any work opportunity, in or affecting commerce, as “commerce” is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Making any material misrepresentation, including but not limited to:

1. Misrepresenting the past, present or potential future earnings or profits of participants in any work opportunity; or
2. Misrepresenting the marketplace demand for any product or service for which respondents are offering a work opportunity.

B. Making any earnings-related or profit-related claim which uses the phrase "up to" or words of similar import or which states any dollar amount, unless the stated level of earnings or profits constitutes the net earnings or profits which can be achieved by an appreciable number of participants; and further, in any instances where consumers could not reasonably foresee the major factors or conditions affecting the ability to achieve the stated level of earnings or profits, cease and desist from failing to disclose clearly and prominently the class of consumers who can achieve the stated level.

II.

It is further ordered, That for three (3) years after the last date of dissemination of any representation covered by this order, respondents, or their successors and assigns, shall maintain and upon request make available to the Federal Trade Commission for inspection and copying:

- A. Specimen copies of all materials disseminated which contain such representation;
- B. All materials that were relied upon as substantiation in disseminating such representation;
- C. The names, addresses and telephone numbers of all work opportunity participants who paid any money to respondents within the previous three years; and
- D. The names, addresses and telephone numbers of all work opportunity participants who earned any income or profits from respondents during the previous three years, and for each such participant: all written agreements between respondents and each participant during the previous three years; and the dates and amounts of all payments paid to each participant for work completed pursuant to the work opportunity during the previous three years.

III.

It is further ordered:

A. That respondent Anthony L. Ingram shall pay to the FTC as consumer redress the sum of one million two hundred thousand dollars (\$1,200,000); provided however, that this liability will be suspended, subject to the provisions of subpart B below.

B. That the Commission's acceptance of this order is expressly premised upon the representations regarding the financial condition of the respective respondents made to the FTC in: a "Financial Statement of Debtor" executed by Anthony L. Ingram on October 20, 1992; a "Financial Statement of Corporate Defendant" relating to New Mexico Custom Designs, Inc. executed by Anthony L. Ingram, as president, on October 20, 1992; the federal income tax returns of New Mexico Custom Designs, Inc., for 1989, 1990 and 1991; the federal income tax returns of Anthony L. Ingram for 1990 and 1991; accounting statements for 1990, 1991 and 1992, referred to in, and enclosed with, a letter from Gary Harrell, Esq., to the Federal Trade Commission, dated 22 March 1993; and a letter from Gary Harrell, Esq., to the Federal Trade Commission, dated 3 May 1993. After service upon respondents of an order to show cause, the FTC may reopen this proceeding to make a determination whether there are any material misrepresentations or omissions in said representations regarding the financial condition of the respective respondents. Respondents shall be given an opportunity to present evidence on this issue. If, upon consideration of respondents' evidence and other information before it, the FTC determines that there are any material misrepresentations or omissions in the financial statements and related documents, that determination shall cause the entire amount of monetary liability of one million two hundred thousand dollars (\$1,200,000) to become immediately due and payable to the Federal Trade Commission, and interest computed at the rate prescribed in 28 U.S.C. 1961, as amended, shall immediately begin to accrue on the unpaid balance. Proceedings initiated under part III are in addition to, and not in lieu of, any other civil or criminal remedies as may be provided by law, including any proceedings the Federal Trade Commission may initiate to enforce this order.

IV.

It is further ordered, That the corporate respondent shall notify the Commission at least thirty (30) days prior to any dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, or any other change in the corporation that may affect compliance obligations arising out of the order.

V.

It is further ordered, That the individual respondent shall promptly notify the Commission of the discontinuance of his present business or employment and, for a period of five (5) years after the date of service of this order, shall promptly notify the Commission of each affiliation with a new business or employment.

VI.

It is further ordered, That respondents shall, within sixty (60) days after service of this order on them, and on the first through the fifth anniversaries of the effective date of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which it has complied with this order.

Complaint

117 F.T.C.

IN THE MATTER OF

MR. COFFEE, INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT

Docket C-3486. Complaint, Mar. 25, 1994--Decision, Mar. 25, 1994

This consent order prohibits, among other things, an Ohio corporation, that manufactures coffee makers, filters and other products, from making false or unsubstantiated environmental claims for any paper product or package it markets.

Appearances

For the Commission: *Kevin M. Bank and Michael Dershowitz.*

For the respondent: *Martin R. Gold, Gold, Farrell & Marks,*
New York, N.Y.

COMPLAINT

The Federal Trade Commission, having reason to believe that Mr. Coffee, Inc., a corporation ("respondent"), has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. Respondent, Mr. Coffee, Inc., is a Delaware corporation with its office and principal place of business located at 24700 Miles Road, Bedford Heights, Ohio.

PAR. 2. Respondent has advertised, offered for sale, sold, and distributed coffee-making appliances and coffee filter products to the public, under the trade name "Mr. Coffee" (hereinafter "Mr. Coffee").

PAR. 3. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act.

PAR. 4. Respondent has disseminated or has caused to be disseminated advertisements, including product labeling, and other

promotional materials for its "Mr. Coffee" filters, including but not necessarily limited to the attached Exhibits A through D.

The aforesaid product labeling (Exhibit A) included the following statement on the front of the package:

Chlorine-free process

The aforesaid product labeling (Exhibit A) also included the following statements on the top of the package:

Here's Why Mr. Coffee Filters Are Better For
Coffee Lovers and Nature Lovers

No Chlorine: The exclusive paper is cleaned and whitened without using chlorine bleach, which has been found to create undesirable byproducts....

A subsequent version of the aforesaid product labeling (Exhibit B) includes the following statement on the top of the package:

Here's Why Mr. Coffee Filters Are Better For
Coffee Lovers and Nature Lovers

Chlorine Byproducts: This exclusive paper is cleaned and whitened using a new process that has virtually eliminated environmentally harmful byproducts created by traditional chlorine bleaching....

The aforesaid print advertisement (Exhibit C) included the following statements:

NEW CHLORINE-FREE FILTERS.

Mr. Coffee's new filters are not only good for your coffee, but for the environment too. The special manufacturing process whitens without elemental chlorine and provides a stiffer, stronger filter ... New chlorine-free filters from Mr. Coffee.

PAR. 5. Through the use of the statements contained in the advertisements referred to in paragraph four, including but not necessarily limited to the advertisements attached as Exhibits A and C, respondent has represented, directly or by implication, that:

A. "Mr. Coffee" filters are manufactured without the use of chlorine to clean and whiten them.

B. Because "Mr. Coffee" paper filters are made without using chlorine, no undesirable byproducts associated with chlorine bleaching are released to the environment during the manufacturing process.

PAR. 6. In truth and in fact, at the time these advertisements were disseminated, "Mr. Coffee" filters were bleached using a new chlorine dioxide bleaching process. Some elemental chlorine was still present, and the process continued to generate environmentally harmful byproducts associated with chlorine bleaching. Although fewer environmentally harmful byproducts were released than previously, they were not eliminated in the sludge byproduct of the manufacturing process. Therefore, the representations set forth in paragraph five were, and are, false and misleading.

PAR. 7. Through the use of the statements contained in the advertisements referred to in paragraph four, including but not necessarily limited to the advertisement attached as Exhibit B, respondent has represented, directly or by implication, that because "Mr. Coffee" filters are cleaned and whitened using a new process not involving traditional chlorine bleaching, environmentally harmful byproducts from the cleaning and whitening process have been virtually eliminated, that is, reduced to an insignificant level.

PAR. 8. Through the use of the statements contained in the advertisements referred to in paragraph four, including but not necessarily limited to the advertisement attached as Exhibit B, respondent has represented, directly or by implication, that at the time it made the representation set forth in paragraph seven, respondent possessed and relied upon a reasonable basis for such representation.

PAR. 9. In truth and in fact, at the time respondent made the representation set forth in paragraph seven, respondent did not possess and rely upon a reasonable basis that substantiated such representation. Therefore, the representation set forth in paragraph eight was, and is, false and misleading.

PAR. 10. The aforesaid product labeling (Exhibit D) included the following statements on both sides of the package:

RECYCLABLE
RECYCLED PAPER

PAR. 11. Through the use of the statements contained in the advertisements referred to in paragraph ten, including but not limited to the advertisement attached as Exhibit D, respondent has represented, directly or by implication, that both the paperboard package and "Mr. Coffee" paper filters are made from recycled paper.

PAR. 12. In truth and in fact, "Mr. Coffee" paper filters are not made from recycled paper. Therefore, the representation set forth in paragraph eleven was, and is, false and misleading.

PAR. 13. Through the use of the statements contained in the advertisements referred to in paragraph ten, including but not necessarily limited to the advertisement attached as Exhibit D, respondent has represented, directly or by implication, that the "Mr. Coffee" paperboard package is recyclable.

PAR. 14. In truth and in fact, while the "Mr. Coffee" paperboard package is capable of being recycled, the vast majority of consumers cannot recycle the package because there are only a few collection facilities nationwide that accept that type of paperboard package for recycling. Therefore, the representation set forth in paragraph thirteen was, and is, false and misleading.

PAR. 15. Through the use of the "recyclable" statements contained in the advertisements referred to in paragraph ten, including but not necessarily limited to the advertisements attached as Exhibit D, respondent has represented, directly or by implication, that at the time it made the representation set forth in paragraph thirteen, respondent possessed and relied upon a reasonable basis that substantiated such representation.

PAR. 16. In truth and in fact, at the time respondent made the representation set forth in paragraph thirteen, respondent did not possess and rely upon a reasonable basis that substantiated such representation. Therefore, the representation set forth in paragraph fifteen was, and is, false and misleading.

PAR. 17. The acts and practices of respondent 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.

Commissioner Owen not participating.

Complaint

117 F.T.C.

EXHIBIT A

Here's why Mr. Coffee Filters
Are Best for Coffee Lovers and Nature Lovers



- 1. **No Chlorine.** These filters are paper-impregnated and washed without using any chemicals which has been found to create undesirable by-products.
- 2. **Saves Trees.** The manufacturing process wastes less of the wood fiber so Mr. Coffee consumes significantly fewer trees in making its filters.
- 3. **Better Flavor.** Best of all, most people who tested these filters said they make better tasting coffee.

C-3486
B153243




Mr. Coffee filters are also stiffer and less likely to collapse. They will not overflow, even in the new faster brewing coffee™ Electronic CoffeeMaker.

MR. COFFEE

MR. COFFEE

FILTERS

MR. COFFEE
FILTERS



100
8-12 cup size
UF100

100

*Chlorine free process.
Better tasting coffee.*

MR. COFFEE, INC.

Complaint

EXHIBIT B

Here's Why Mr. Coffee Filters Are Better for Coffee Lovers and Nature Lovers

- 1. **Chlorine Byproducts:** This exclusive paper is cleaned and whitened using a new process that has virtually eliminated environmentally harmful byproducts created by traditional chlorine bleaching methods.
- 2. **Saves Trees:** The manufacturing process wastes less of the wood fiber, so Mr. Coffee consumes significantly fewer trees in making its filters than filter manufacturers using the traditional process.
- 3. **Better Flavor:** Best of all, most coffee drinkers who tested these filters in their own homes said they made better tasting coffee than the filters they had been using.



Mr. Coffee filters are also stiffer, and less likely to collapse. They will not overflow, even in coffeemakers with Mr. Coffee's new Accelerated Brewing system.

EXHIBIT C

NEW CHLORINE-FREE FILTERS. BETTER- TASTING COFFEE.



Mr. Coffee's new filters are not only good for your coffee, but for the environment too.

The special manufacturing process whitens without elemental chlorine and provides a stiffer, stronger filter. This process also wastes less wood fiber, so it actually helps save trees.

What's more, for each box sold, we donate a penny to local environmental projects. That means hundreds of thousands of dollars nationwide.

New chlorine-free filters from Mr. Coffee.

The choice of coffee lovers. MR. COFFEE®
And nature lovers, too.

Use this coupon for any size box of Mr. Coffee basket or cone filters and get

25¢ OFF



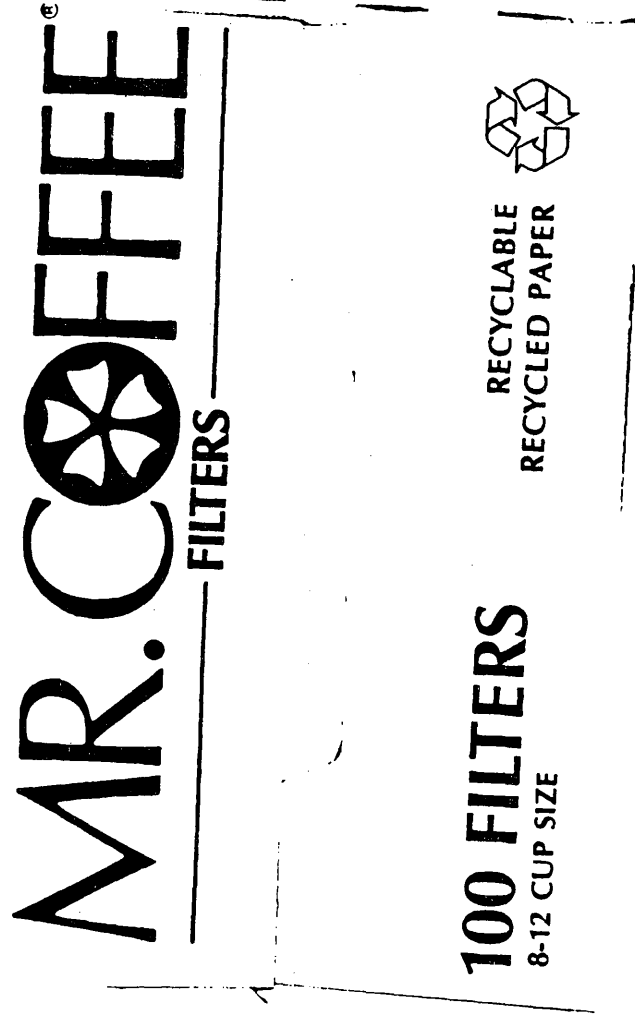
See General Only one coupon is redeemable per purchase. You pay any sales tax. Any other use constitutes fraud. This coupon will be returned for the face value plus the 25¢ off. The coupon is good only on Mr. Coffee products. See Mr. Coffee's website for details. Void where prohibited, as may other use constitute fraud. Limited to one coupon per product. Redeem by mailing to Mr. Coffee, P.O. Box 1000, Springfield, MA 01103. Cash value 1/2¢. © 1998 Mr. Coffee, Inc.

Manufacturer's Coupon Expires November 13, 1998

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DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the above caption, and the respondent having been furnished thereafter with a copy of a draft complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act; and

The respondent, its attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft complaint, a statement that the signing of the agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, and having duly considered the comment filed thereafter by interested persons pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Mr. Coffee, Inc. ("Mr. Coffee") is a Delaware corporation with its office and principal place of business located at 24700 Miles Road, Bedford Heights, Ohio.
2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent and the proceeding is in the public interest.

ORDER

I.

A. *It is ordered*, That respondent Mr. Coffee, Inc., a corporation, its successors and assigns, and its officers, representatives, agents, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, labeling, promotion, offering for sale, sale, or distribution of any paper product or package in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from misrepresenting, in any manner, directly or by implication, the extent to which:

- (1) Chlorine is used in the manufacture of any such product or package;
- (2) Harmful byproducts result from the manufacture of any such product or package;
- (3) Any such product or package is made from recycled materials;
- (4) (i) Any such product or package is capable of being recycled; or (ii) The extent to which recycling collection programs for any such product or package are available.

B. Provided, however, respondent will not be in violation of part I(A)(4)(ii) of this order, in connection with the advertising, labeling, offering for sale, sale, or distribution of any non-corrugated paperboard or cardboard product or package, if it truthfully represents that any such product or package is recyclable, provided that the labeling of such product or package and any advertising referring to the recyclability of such product or package discloses clearly, prominently, and in close proximity to such representation:

- (a) That such product or package is recyclable in the few communities with recycling collection programs for non-corrugated paperboard or cardboard; or
- (b) The approximate number of U.S. communities with recycling collection programs for such product or package; or
- (c) The approximate percentage of the U.S. population or of U.S. communities to which recycling collection programs for such product or package are available.

For purposes of this order, a disclosure elsewhere on the product package shall be deemed to be "in close proximity" to such representation if there is a clear and conspicuous cross reference to the disclosure. The use of an asterisk or other symbol shall not constitute a clear and conspicuous cross-reference. A cross-reference shall be deemed clear and conspicuous if it is of sufficient prominence to be readily noticeable and readable by the prospective purchaser when examining the part of the package on which the representation appears.

II.

It is further ordered, That respondent Mr. Coffee, Inc., a corporation, its successors and assigns, and its officers, representatives, agents, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, labeling, promotion, offering for sale, sale, or distribution of any product packaging or paper product in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from representing, in any manner, directly or by implication, that any such product packaging or paper product offers any environmental benefit, unless at the time of making such representation, respondent possesses and relies upon competent and reliable evidence, which when appropriate must be competent and reliable scientific evidence, that substantiates such representation. For purposes of this order, competent and reliable scientific evidence shall mean tests, analyses, research, studies, or other evidence based on the expertise of professionals in the relevant area, that has been conducted and evaluated in an objective manner by persons qualified to do so, using procedures generally accepted in the profession to yield accurate and reliable results.

III.

It is further ordered, That respondent may continue to deplete its existing inventory of "Mr. Coffee" filter product packaging in the normal course of business without violating this order until August 31, 1993.

IV.

It is further ordered, That for five years after the last date of dissemination of any representation covered by this order, respondent, or its successors and assigns, shall maintain and upon request make available to the Federal Trade Commission for inspection and copying:

A. All materials that were relied upon in disseminating such representation; and

B. All tests, reports, studies, surveys, demonstrations, or other evidence in respondent's possession or control that contradict, qualify, or call into question such representation, or the basis relied upon for such representation, including complaints from consumers.

V.

It is further ordered, That respondent shall distribute a copy of this order to each of its officers and supervising employees engaged in the preparation and placement of advertisements, promotional materials, product labels or other such sales materials covered by this order.

VI.

It is further ordered, That respondent shall notify the Commission at least thirty (30) days prior to any proposed change in the corporation such as a dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, or any other change in the corporation which may affect compliance obligations under this order.

VII.

It is further ordered, That respondent shall, within sixty (60) days after service of this order upon it, and at such other times as the Commission may require, file with the Commission's report, in writing, setting forth in detail the manner and form in which it has complied with this order.

Commissioner Owen not participating.

Complaint

117 F.T.C.

IN THE MATTER OF

MACE SECURITY INTERNATIONAL, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3487. Complaint, Mar. 25, 1994--Decision, Mar. 25, 1994*

This consent order requires, among other things, the Vermont-based marketers to have competent and reliable evidence to support any claims about the efficacy or performance of any chemical self-protection product they sell and to include cautionary disclosures, in their advertisement and with their product, about the limitations of the product on armed, enraged, drugged, or intoxicated assailants. The order also requires the respondents to substantiate any future claims they make about any attribute of any chemical self-protection product they sell, and to send a notice of the settlement to distributors and consumers.

*Appearances*For the Commission: *Alice Au and Michael J. Bloom.*For the respondents: *Mark R. Butterfield, Rutland, VT.*

COMPLAINT

The Federal Trade Commission, having reason to believe that MACE Security International, Inc., a corporation, Personal Security, Inc., a corporation, and Jon E. Goodrich, Robert P. Gould, and James Kardas, individually and as officers and directors of said corporations, ("respondents"), have violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. Respondent MACE Security International, Inc. is a Delaware corporation, with its principal office or place of business at 160 Benmont Avenue, Bennington, Vermont. Respondent was formerly doing business as Mark Sport, Inc.

Respondent Personal Security, Inc. is a Vermont corporation, with its principal office or place of business at 160 Benmont Avenue, Bennington, Vermont.

Respondent Jon E. Goodrich is an officer and director of MACE Security International, Inc. and Personal Security, Inc. Individually or in concert with others, he formulates, directs, and controls the acts and practices of MACE Security International, Inc. and Personal Security, Inc., including the acts and practices alleged in this complaint. His principal office or place of business is the same as that of the corporate respondents.

Respondent Robert P. Gould is an officer and director of MACE Security International, Inc. and Personal Security, Inc. Individually or in concert with others, he formulates, directs, and controls the acts and practices of MACE Security International, Inc. and Personal Security, Inc., including the acts and practices alleged in this complaint. He has an office at and his principal place of business is at the same address as that of the corporate respondents.

Respondent James Kardas is an officer and director of Personal Security, Inc. Individually or in concert with others, he formulates, directs, and controls the acts and practices of Personal Security, Inc., including the acts and practices alleged in this complaint. His principal office or place of business is the same as that of the corporate respondent.

PAR. 2. Respondents MACE Security International, Inc., Jon E. Goodrich, and Robert P. Gould have manufactured, advertised, labeled, offered for sale, sold, and distributed MK-VI MACE brand self-defense spray and MK-X MACE brand self-defense spray (hereinafter, both referred to as "MACE"), tear gas formulations that are sold in spray canister form. Respondents Personal Security, Inc. and James Kardas have advertised, offered for sale, sold, and distributed MACE. MACE contains the chemical irritant 1% phenylchloromethylketone (CN) and is intended to be a self-protection product that adversely affects the eyes, respiratory system, and skin of an assailant.

PAR. 3. The acts and practices of respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act.

PAR. 4. Respondents have disseminated or have caused to be disseminated advertisements for MACE, including but not necessarily limited to the attached Exhibits A through F. These advertisements contain the following statements and depictions:

A. "Aim ... Spray ... Walk Away!" [this language is accompanied by three drawings that show a woman successfully using MACE to ward off an attacker and walking away from the scene of attack] (Exhibits A and C) [ellipses in original]

B. "Mace wears off in about 20 minutes without causing permanent harm ... TIME TO PUT YOU WELL OUT OF HARM'S WAY." (Exhibits A and C) [ellipsis and emphasis in original]

C. "For over twenty years America's police and consumers have depended upon genuine Mace for protection against physical attack. During that time Mace has proven to be the safest, most effective and humane self-protection ever developed. If you're concerned about your safety, I urge you to carry Mace, too.' Patrolman Greg Connor." (Exhibit B)

D. "POLICE-PROVEN MACE® ... just in case." (this language is accompanied by three drawings that show a woman successfully using MACE to ward off an attacker and walking away from the scene of attack) (Exhibit C) [ellipsis and emphasis in original]

E. "NEW YORK ... DALLAS ... PHILADELPHIA ... Today over 4,000 police departments across America depend upon the proven Mace formula for protection against assault. So do men and women all across America -- professionals, joggers, college students, housewives, working women, seniors, delivery people -- anyone concerned with personal safety. SHOULDN'T YOU?" (Exhibit D) [ellipses and emphasis in original]

F. "Accuracy Is Not Essential. JUST AIM ... SPRAY... WALK AWAY! Unique finger-grip design allows you to draw, aim and spray in one easy motion. Any contact within upper torso can be effective. Carry Mace wherever you go." [this language is accompanied by a drawing of human figure with the upper torso target area emphasized with a circle] JUST HIT THE CIRCLE! (Exhibits B and D) [ellipses and emphasis in original]

G. "Mace is a CN-based tear gas developed in the 1960's as a humane means of self-protection for the law enforcement community. For over twenty years it has been the policeman's first line of defense against assault." (Exhibit E)

H. "Since it's [sic] introduction over twenty years ago Mace has proven to be the safest, most effective and humane self-protection ever developed. That's why 4 of 5 police across America today carry Original Mace. Shouldn't you?" (Exhibit E)

I. "Any contact with the upper torso can be effective. Just one squirt can instantly stop an assailant and keep him incapacitated for up to 20 minutes." (Exhibit E)

J. "The police-proven Mace formulation can instantly stop an assailant ... UP TO 12 FEET AWAY ... and keep him incapacitated for up to 20 minutes." (Exhibit F) [ellipses in original]

PAR. 5. Through the use of the statements and depictions contained in the advertisements referred to in paragraph four, including but not necessarily limited to the advertisements attached as Exhibits A through F, respondents have represented, directly or by implication, that:

- A. One spray of MACE will stop an assailant;
- B. Any contact with the upper torso by a spray of MACE will stop an assailant; and
- C. Use of MACE will instantly stop an assailant.

PAR. 6. In truth and in fact:

- A. One spray of MACE does not stop an assailant;
- B. Any contact with the upper torso by a spray of MACE does not stop an assailant; and
- C. Use of MACE will not instantly stop an assailant.

Therefore, the representations set forth in paragraph five were, and are, false and misleading.

PAR. 7. In its advertising and sale of MACE, respondents have represented that MACE provides effective protection against physical attack. Respondents have failed to disclose adequately that 1) it may take several seconds for the effects of MACE to begin, and 2) MACE may not be effective on many assailants including those who are armed, enraged, drugged, intoxicated, or otherwise desensitized. These facts, would be material to consumers in their purchase or use decisions regarding the product. The failure to disclose adequately these facts, in light of the representation made, was, and is, a deceptive practice.

PAR. 8. Through the use of the statements and depictions contained in the advertisements referred to in paragraph four including but not necessarily limited to the advertisements attached as Exhibits A through F, respondents have represented, directly or by implication, that:

- A. MACE will keep an assailant incapacitated for up to or about 20 minutes;
- B. The effectiveness of MACE for civilian self-protection has been proven in use by police forces;
- C. Four out of five police officers in the United States carry MACE; and
- D. Over 4000 police departments in the United States use MACE for protection against assault.

PAR. 9. Through the use of the statements and depictions contained in the advertisements referred to in paragraph four including but not necessarily limited to the advertisements attached as Exhibits A through F, respondents have represented, directly or by implication, that at the time they made the representations set forth in paragraphs five and eight respondents possessed and relied upon a reasonable basis that substantiated such representations.

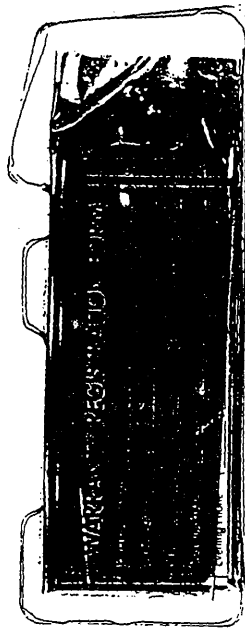
PAR. 10. In truth and in fact, at the time respondents made the representations set forth in paragraphs five and eight respondents did not possess and rely upon a reasonable basis that substantiated such representations. Therefore, the representations set forth in paragraph nine were, and are, false and misleading.

PAR. 11. 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.

EXHIBIT A

ORIGINAL
mace[®]
 ...just in case

**CAUTION: STRONG IRRITANT
 CONTENTS UNDER PRESSURE**
 See additional cautions on back of card



Aim...

Mace is designed to fit your hand for quick and accurate firing.



Spray...

Mace causes profuse tearing and a painful burning sensation.



Walk Away!

Mace wears off in about 20 minutes without causing permanent harm...

**TIME TO PUT YOU
 WELL OUT OF HARMS WAY.**

Complaint

117 F.T.C.

EXHIBIT B

ORIGINAL

mace®

Mace® Can Protect You. And Those You Love.

For over twenty years America's police and consumers have depended upon genuine Mace for protection against physical attack. During that time Mace has proven to be the safest, most effective and humane self-protection ever developed. If you're concerned about your safety, I urge you to carry Mace, too.

Patrolman Greg Connor



Carry Mace®...Just in Case.

- Each unit fires about 20, one-half second bursts.
- Effective range up to 12 feet.
- Every unit "test-fired" before shipping.
- Built-in belt clip & key chain.
- Easy-to-follow instructions included.
- 30 Day Money-Back Guarantee.

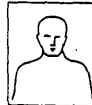
CAUTION: STRONG IRRITANT CONTENTS UNDER PRESSURE

Active ingredient, approximately 1% Phenylchloromethylketone (CN) in a non-toxic, non-flammable vehicle.
STRONG IRRITANT affecting eyes, respiratory areas and skin. In case of exposure, rinse eyes with water, and consult a physician. Wash skin with soap and water and expose to fresh air. If irritation persists, consult a physician. Use no creams, salves or oils. Shield face when firing into strong wind. **CONTENTS UNDER PRESSURE.** Do not puncture, incinerate or store at temperature above 120° F. **KEEP OUT OF REACH OF CHILDREN.** Not to be sold to minors or where prohibited by law. Use care with intoxicated, drugged, demented, enraged or other persons having reduced sensitivity to pain. Refer to instructions for additional information. Manufactured by MSI, 160 Benmont Avenue, Bennington, VT 05201. Made in U.S.A.

Accuracy Is Not Essential

**JUST AIM, SPRAY,
WALK AWAY!**

Unique finger-grip design allows you to draw, aim and spray in one easy motion. Any contact with upper torso can be effective. Carry Mace wherever you go.



JUST HIT THE
CIRCLE!

MK-X MACE



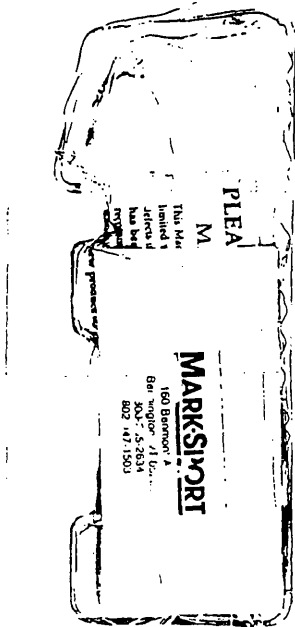
Net weight 21 grams

MSI
mace

EXHIBIT C



**CAUTION: STRONG IRRITANT
CONTENTS UNDER PRESSURE**
See additional cautions on back of card



Mace is designed to fit your hand for quick and accurate firing.



Mace causes profuse tearing and a painful burning sensation.



Mace wears off in about 20 minutes without causing permanent harm...

**TIME TO PUT YOU
WELL OUT OF HARM'S WAY.**

Complaint

117 F.T.C.

EXHIBIT D


POLICE-PROVEN

Mace®

NEW YORK... DALLAS... PHILADELPHIA...

Today over 4,000 police departments across America depend upon the proven Mace formula for protection against assault. So do men and women all across America — professionals, joggers, college students, housewives, working women, seniors, elderly people — anyone concerned with personal safety.

SHOULDN'T YOU?



Carry Mace® ...Just in Case.

- Each unit fires about 20, one-half second bursts.
- Built-in belt clip & key chain.
- Effective range up to 12 feet.
- Easy-to-follow instructions included.
- Every unit "test-fired" before shipping.
- 30 Day Money-Back Guarantee.


CAUTION: STRONG IRRITANT CONTENTS UNDER PRESSURE

Active ingredient, approximately 1% Phenylchloromethylketone (CN) in a non-toxic, non-flammable vehicle.

STRONG IRRITANT affecting eyes, respiratory areas and skin. In case of exposure, rinse eyes with water, and consult a physician. Wash skin with soap and water and expose to fresh air. If irritation persists, consult a physician. Use no creams, salves or oils. Shield face when firing into strong wind. **CONTENTS UNDER PRESSURE.** Do not puncture, incinerate or store at temperature above 120° F. **KEEP OUT OF REACH OF CHILDREN.** Not to be sold to minors or where prohibited by law. Use care with intoxicated, drugged, demented, enraged or other persons having reduced sensitivity to pain. Refer to instructions for additional information. Manufactured by Mark-Sport, Inc., 160 Benmont Avenue, Bennington, VT 05201. Made in U.S.A.


**Accuracy Is Not Essential.
JUST AIM...SPRAY...
WALK AWAY!**

Unique finger-grip design allows you to draw, aim and spray in one easy motion. Any contact within upper torso can be effective. Carry Mace wherever you go.



JUST HIT THE CIRCLE!

MK-VI MACE



0 22188 80109 5

Net weight 24 grams

Complaint

EXHIBIT E

Personal Security

Products To Keep You & Your Family Safe

I LIKE IKE.
LEAVE IT TO BEAVER.
THE BEACH BOYS.

Dear Friend,

Remember those days? A time when we never locked our doors...when schools were safe...and it was safe to walk down the street day or night. I remember.

But times have changed. Today, children's pictures can be found on milk cartons, drugs are everywhere, and your chances of becoming a victim are greater than ever.

Introducing *Personal Security* -
A Catalog of Valuable Products To Keep You
And Your Family Safe.

...to keep you and your family safe. That is our commitment to you. Wherever you are - at home, at work, anywhere - we'll provide you with products to keep you safe.

We'll talk to the experts, research new technology and test new products. Then we'll bring them into your home through the pages of *Personal Security*. So that you can make informed decisions about the best way to provide you and your family with security and, most of all, peace of mind.

So why not relax with our new catalog? And when you spot something you need, just complete and return our convenient order form. Or better yet, call our Toll-Free Hotline: 1-800-446-6223. We'll take care of the rest, including delivery right to your door. It couldn't be any easier.

Cordially,

Jim Kardas

Jim Kardas

P.S. If you like our catalog perhaps you would like to become a Personal Security distributor. Many who have are now making money selling our products to others. We also offer a fund raising program for groups and organizations. To learn more, please call Toll Free 1-800-446-6223 and ask for Dave McMullen. Thank you.



Original Mace® Shoots A Powerful
"STREAM-OF-PROTECTION"
Up To 12 Feet!

Helps You Avoid Contact
With An Aggressor!

OUR PROMISE TO YOU: Satisfaction Guaranteed Or Your Money Back!

"Every Woman ...Just In Case."

Mary Siernecker
New York, NY

Mary Siernecker knows about Mace. She used it to repel an attacker in a subway tunnel. That's why she believes every woman today should carry Mace. And so do I. Because there is no equal to the protection Original Mace offers. Or the peace of mind one feels when carrying it.

America's Most Humane Protection.
Mace is a CN-based tear gas developed in the 1960's as a humane means of self-protection for the law enforcement community. For over twenty years it has been the policeman's first line of defense against assault.

Today Mace is carried by women all across America. Working women, seniors, housewives, joggers, cyclists, college students and many others. Women with a concern for personal safety.

Mace Is Proven Safe

According to Gerald S. Arenberg, Executive Director of the National Association of Chiefs of Police: "Mace is ideal for self-protection because it is non-lethal." Its non-toxic formula causes profuse tearing and a painful burning sensation. And yet, in over 20 years of on-street use by police and civilians alike, Mace has never caused a single substantiated case of permanent injury. It's the safest, most effective and humane protection available.

Accuracy Is Not Essential!

Unique finger-grip design allows you to draw, aim and spray in one easy motion. Any contact with the upper torso can be effective. Just one squirt can instantly stop an assailant and keep him incapacitated for up to 20 minutes. The Mace formula is non-flammable and unaffected by temperature. A patented flip-top dispenser prevents accidental discharge. Each unit fires

There's Only ONE Mace!

Since its introduction over twenty years ago Mace has proven to be the safest, most effective and humane self-protection ever developed. That's why 4 of 5 police across America today carry Original Mace. Shouldn't you?



EXHIBIT E

Should Carry *Mace*[™]



How often have you left work late and felt uneasy walking to your car? Or found yourself in a dimly-lit parking lot? Or in a strange neighborhood on one of those pitch-dark nights? For those occasions, Mace can give you real peace of mind.

about 20 one-half second bursts. Effective range up to 12 feet! Measures only 4" high. Compact size fits neatly into pocket, purse, glove compartment or nightstand. One-year warranty. Instructions included.

Who Should Carry Mace?

Anyone who is concerned with personal safety—working woman, housewives, runners, cyclists, nurses, senior citizens, delivery people and others. Including men, who buy not just for self-protection, but as gifts for others. In fact, many people have discovered Mace to be a thoughtful gift for a spouse, girlfriend, parents, adult children or college-bound daughter.

How Much Mace Should You Buy?

Depending upon your lifestyle you may find that a single Mace will provide the peace of mind you desire. However, for total protection we recommend that you consider three Mark X Mace for your car, home and pocket. And if you know others who would enjoy the peace of mind Mace offers, why not order now. The more you buy, the more you'll save.

- C-5724 Original Mark X Mace \$16.95
- C-5724 Three Mace Only \$45.00 (\$41.25 S&H)
- E-1774 Six Mace Only \$79.95 (\$54.12 S&H)
- B-4525 12 Mace (Carrel's Association) \$159.95 (\$141.90 S&H)
- E-5724 MasterCard Training Unit \$1.95



"Mace has always been the foremost leader for self-protection."
Joseph Spott
Co-Chairman
American Rape Prevention
Association

"Mace is ideal protection because it is non-lethal."
Gerald S. Arenberg
Executive Director
National Association of
Chiefs of Police

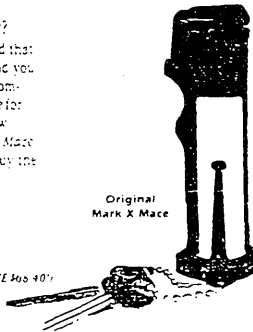
"We recommend Mace to all our members."
Christine Barnes
Concerned Nurses Association



Attached to the women's movement, genuine Mace, the most effective and humane assault protection ever developed, is today's world's only self-defense weapon.

Buy A Case of Mace "Factory-Direct" And Save...Get A FREE Gift!

We're often surprised by the number of customers who order Mace "by-the-case". Many buy a case to have several for personal use and to offer as gifts for family members and loved ones. Some find several friends who are interested in taking advantage of the lower unit cost when purchasing by the case. And others buy for employees who work late at night or business. Whatever your reason for buying a case of Mace, you'll save 33% off our retail price. Order now and we'll include a FREE gift.



Original Mark X Mace



CALL TOLL FREE NOW 1-800-444-6224

EXHIBIT F

The World Today Can Be An Uncertain Place!

Would You, Or Someone You Love, Feel Safer Carrying Mace®?

According to crime experts, one in three women will be a victim of physical attack during her lifetime. When you read statistics like this, do you ever think "It could never happen to me or someone I love?" Many people do. But the truth is, it can happen, and it does.

Especially today, because the world we live in is an uncertain place that holds many risks. Parking garages, dark streets and parking lots near your home or work can be uncomfortable at night. And traveling to new places requires caution and vigilance. That's why you, or those you love, should carry Mace. It provides real protection against the unexpected. And peace of mind.

Helps You Avoid Contact With An Aggressor!

The police-proven Mace formulation can instantly stop an assailant... **UP TO 12 FEET AWAY**... and keep him incapacitated for up to 20 minutes. And since Mace doesn't cause permanent injury, you won't be afraid to use it if that time ever comes.

Non-toxic formulation is safe to use. Causes profuse tearing and painful burning sensation. Not affected by temperature. Patented flip-top dispenser prevents accidental discharge. Each unit fires about 20 one-half second bursts. Features built-in belt clip and key chain. Instructions included. One-year limited warranty.

**Buy Several For Yourself & Others
SAVE UP TO 33%!**

(Also Makes A Thoughtful Gift.)

Buy three for your car, home and pocket. Also makes a thoughtful gift for your spouse, girlfriend, college-bound daughter, parents, people you work with and others. The more you buy the more you save. Order Original Mace today!

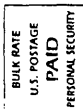
- D-3724 Original Mark X Mace \$16.95
- C-3724 Three Mace For Only \$45.00 (SAVE \$5.85!)
- B-3724 Six Mace For Only \$75.00 (SAVE \$26.70!)
- B-3915 12-Unit Case Only \$135.00 (SAVE \$68.40!)
- B-3725 Mace Inert Training Unit \$6.95 (Free With 12-Unit Case Purchase)

For more on Mace, please see page 2.



How often have you felt uncomfortable walking down the street at night? Or alone in a dimly lit parking lot? For those times, Mace can provide real protection. And peace of mind.

Palm-Sized
Protection
For
Car, Home
& Pocket!



Personal Security
1681 Bennington Avenue
Bennington, VT 05201

Current Resident Or

NEED A GIFT IDEA?

This catalog contains dozens of valuable products to help you and your family safe. What better gift could you possibly give to yourself, or those you love, than peace of mind?

**TOLL-FREE ORDERING
CREDIT CARD USERS CALL
1-800-446-6223**

24-HOUR SERVICE

(Or fax your order to 802-442-3823 at any time
For questions about merchandise or orders call
Customers Service (802) 442-4903



DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the New York Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act; and

The respondents, their attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, or that the facts as alleged in such complaint, other than jurisdictional facts, are true, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that a complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent MACE Security International, Inc. is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its corporate office and principal place of business located at 160 Benmont Avenue, Bennington, Vermont. Respondent was formerly doing business as Mark Sport, Inc.

Respondent Personal Security, Inc. is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Vermont, with its corporate office and principal place of business located at 160 Benmont Avenue, Bennington, Vermont.

Respondents Jon E. Goodrich and Robert P. Gould are officers and directors of said corporations. They formulate, direct, and

control the policies, acts, and practices of said corporations, and Mr. Goodrich's principal office and place of business are located at the above address. Mr. Gould has an office at and his principal place of business is located at the above address. Respondent James Kardas is an officer and director of Personal Security, Inc. Mr. Kardas formulates, directs, and controls the policies, acts, and practices of said corporation, and his principal office and place of business are located at the above stated address.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

DEFINITIONS

A. For purposes of this order, "*competent and reliable scientific evidence*" shall mean tests, analyses, research, studies, or other evidence based on the expertise of professionals in the relevant area, that has been conducted and evaluated in an objective manner by persons qualified to do so, using procedures generally accepted in the profession to yield accurate and reliable results.

B. For purposes of this order, "*MACE*" shall mean any chemical self-protection product marketed for civilian use that contains as its active ingredient approximately 1% phenylchloromethylketone (a.k.a. chloroacetophenone or CN).

C. For purposes of this order, "*chemical self-protection product*" shall mean any chemical self-protection product marketed for civilian use, including but not necessarily limited to products containing phenylchloromethylketone (a.k.a. chloroacetophenone or CN), orthochlorobenzal-nalonitrile (CS) or oleoresin capsicum (OC).

D. For purposes of this order, "*distributor*" shall mean any person or entity that, since January 1, 1991, has made at least one purchase from respondents of 12 or more units of MACE or of fewer units of MACE for which the total purchase price exceeded \$100.00.

I.

It is ordered, That respondents MACE Security International, Inc., a corporation, its successors and assigns, and its officers and

directors; Personal Security, Inc., a corporation, its successors and assigns, and its officers and directors; Jon E. Goodrich, individually and as an officer and director of MACE Security International, Inc. and Personal Security, Inc.; Robert P. Gould, individually and as an officer and director of MACE Security International, Inc. and Personal Security, Inc.; and James Kardas, individually and as an officer and director of Personal Security, Inc.; and respondents' agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of MACE or any chemical self-protection product, in or affecting commerce, as "commerce," is defined in the Federal Trade Commission Act, do forthwith cease and desist from representing, in any manner, directly or by implication, that:

- A. One or more sprays of such product will stop an assailant;
- B. Any contact with the upper torso by a spray of such product will stop an assailant; or
- C. Use of such product will instantly stop an assailant;

unless such representation is true and, at the time of making such representation, respondents possess and rely upon competent and reliable evidence, which when appropriate must be competent and reliable scientific evidence, that substantiates such representation.

II.

It is further ordered, That respondents MACE Security International, Inc., a corporation, its successors and assigns, and its officers and directors; Personal Security, Inc., a corporation, its successors and assigns, and its officers and directors; Jon E. Goodrich, individually and as an officer and director of MACE Security International, Inc. and Personal Security, Inc.; Robert P. Gould, individually and as an officer and director of MACE Security International, Inc. and Personal Security, Inc.; and James Kardas, individually and as an officer and director of Personal Security, Inc.; and respondents agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of MACE or any chemical self-

protection product, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from representing, in any manner, directly or by implication, that:

A. One or more sprays of such product will keep an assailant incapacitated for up to or about 20 minutes or any other period of time;

B. The effectiveness of such product for civilian self-protection has been proven in use by police forces;

C. Four out of five or any other number of police officers in the United States carry such product; or

D. Over 4000 police departments or any other number of police departments in the United States use such product for protection against assault;

unless at the time of making such representation, respondents possess and rely upon competent and reliable evidence, which when appropriate must be competent and reliable scientific evidence, that substantiates such representation.

III.

It is further ordered, That respondents MACE Security International, Inc., a corporation, its successors and assigns, and its officers and directors; Personal Security, Inc., a corporation, its successors and assigns, and its officers and directors; Jon E. Goodrich, individually and as an officer and director of MACE Security International, Inc. and Personal Security, Inc.; Robert P. Gould, individually and as an officer and director of MACE Security International, Inc. and Personal Security, Inc.; and James Kardas, individually and as an officer and director of Personal Security, Inc.; and respondents' agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of MACE or any chemical self-protection product, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from representing, in any manner, directly or by implication, the relative or absolute efficacy, benefits, usage, performance, or

attributes of MACE or any chemical self-protection product, unless at the time of making such representation, respondents possess and rely upon competent and reliable evidence, which when appropriate must be competent and reliable scientific evidence, that substantiates such representation.

IV.

It is further ordered, That respondents MACE Security International, Inc., a corporation, its successors and assigns, and its officers and directors; Personal Security, Inc., a corporation, its successors and assigns, and its officers and directors; Jon E. Goodrich, individually and as an officer and director of MACE Security International, Inc. and Personal Security, Inc. Robert P. Gould, individually and as an officer and director of MACE Security International, Inc. and Personal Security, Inc.; and James Kardas, individually and as an officer and director of Personal Security, Inc.; and respondents agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of MACE or any substantially similar product, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from representing, in any manner, directly or by implication, the effectiveness of MACE or any substantially similar product unless respondents disclose in each advertisement in which the representation is made, clearly and prominently, the following statement:

A. In a print advertisement:

"CAUTION: MACE MAY NOT BE EFFECTIVE AGAINST ARMED ASSAILANTS. MACE may take several seconds to work and may not work on enraged, drugged, or intoxicated people."

B. In a television, cablecast, videotape, or radio advertisement:

"CAUTION: MACE MAY NOT BE EFFECTIVE AGAINST ARMED ASSAILANTS AND ENRAGED, DRUGGED, OR INTOXICATED PEOPLE."

Nothing contrary to, inconsistent with, or in mitigation of the above disclosures shall be used in any advertisement in any medium.

For purposes of this order, “*clearly and prominently*” as used herein shall mean as follows:

(a) In a television, cablecast, and videotape release, the disclosure shall be presented simultaneously in both the audio and video portions of the advertisement. The audio disclosure shall be delivered in a volume and cadence and for a duration sufficient for an ordinary consumer to hear and comprehend it. The video disclosure shall be of a size and shade, and shall appear on the screen for a duration sufficient for an ordinary consumer to read and comprehend it.

(b) In a print advertisement, the above disclosure shall be printed in a typeface and color that are clear and prominent and in close proximity to the representation that triggers the disclosure.

(c) In a radio advertisement, the disclosure shall be delivered in a volume and cadence and for a duration sufficient for an ordinary consumer to hear and comprehend it.

V.

It is further ordered, That respondents MACE Security International, Inc., a corporation, its successors and assigns, and its officers and directors; Personal Security, Inc., a corporation, its successors and assigns, and its officers and directors; Jon E. Goodrich, individually and as an officer and director of MACE Security International, Inc. and Personal Security, Inc.; Robert P. Gould, individually and as an officer and director of MACE Security International, Inc. and Personal Security, Inc.; and James Kardas, individually and as an officer and director of Personal Security, Inc.; and respondents' agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of MACE or any substantially similar product, in or affecting commerce, as “commerce” is defined in the Federal Trade Commission Act, shall disclose the following statement on a product insert enclosed in each product package:

“CAUTION: MACE MAY NOT BE EFFECTIVE AGAINST ARMED ASSAILANTS. MACE may take several seconds to work and may not work on enraged, drugged, or intoxicated people.”

On the product insert, the disclosure shall be printed in a typeface and color that are clear and prominent and shall appear before all written text, other than the name of the product or product slogans.

It is provided, however, it will not be considered a violation of this order provision V for respondents to use, until May 8, 1994, the product insert identified as Exhibit 1 of this order (the "in-print insert") in satisfaction of the product insert disclosure obligation specified in this order provision V, provided that:

- 1) The in-print inserts were printed prior to November 8, 1993;
- 2) The text, "You have purchased a MACE unit which contains the same formulation that has been proven in over twenty years of use by police departments. In fact, it has been chosen by more police departments than all other tear gas aerosols combined," shall be blacked out or otherwise rendered completely illegible; and
- 3) The text, "Do not use your MACE unit on an assailant who appears to be armed. Even though it may take only a few seconds for the MACE formulation to take effect, an armed assailant might use his weapon during those few seconds," shall be highlighted in yellow to increase its prominence.

VI.

It is further ordered, That respondents MACE Security International, Inc., a corporation, its successors and assigns, and its officers and directors; Personal Security, Inc., a corporation, its successors and assigns, and its officers and directors; Jon E. Goodrich, individually and as an officer and director of MACE Security International, Inc. and Personal Robert P. Gould, individually and as an officer MACE Security International, Inc. and Personal Security, Inc.; and James Kardas, individually and as an officer and director of Personal Security, Inc., shall, within thirty (30) days after the date of service of this order:

- 1) Send, by first class certified mail, return receipt requested, to each distributor of MACE with which they have done business since January 1, 1991, a copy of Appendix A of this order; and
- 2) Send, by first class mail, to each non-distributor who purchased MACE from respondents since January 1, 1991, a copy of Appendix B of this order.

VII.

It is further ordered, That for five (5) years after the last date of dissemination of any representation covered by this order, respondents MACE Security International, Inc. and Personal Security, Inc., or their successors and assigns, shall maintain and upon request make available to the Federal Trade Commission for inspection and copying:

A. All materials that were relied upon in disseminating such representation;

B. All tests, reports, studies, surveys, demonstrations or other evidence in their possession or control that contradict, qualify, or call into question such representation, or the basis relied upon for such representation, including complaints from consumers; and

C. All return receipts required by order provision VI.

VIII.

It is further ordered, That respondents MACE Security International, Inc. and Personal Security, Inc. shall notify the Commission at least thirty (30) days prior to the effective date of any proposed change in the corporate respondent such as dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, the filing of a bankruptcy petition, or any other change in the corporation(s) that may affect compliance obligations arising out of this order.

IX.

It is further ordered, That respondents Jon E. Goodrich, Robert P. Gould, and James Kardas shall, for a period of ten (10) years from the date of issuance of this order, notify the Commission within thirty (30) days of the discontinuance of his present business or employment and of his affiliation with any new business or employment in the self-protection industry. Each notice of affiliation with any new business or employment shall include respondent's new business address and telephone number, current home address, and a statement describing the nature of the business or employment and his duties and responsibilities.

X.

It is further ordered, That respondents MACE Security International, Inc., Personal Security, Inc., Jon E. Goodrich, Robert P. Gould, and James Kardas shall:

A. Within thirty (30) days after service of this order, provide a copy of this order to each of respondents' current principals, officers, directors and managers, and to all personnel, agents, and representatives having sales, advertising, or policy responsibility with respect to the subject matter of this order.

B. For a period of ten (10) years from the date of issuance of this order, provide a copy of this order to each of respondents' principals, officers, directors, and managers, and to all personnel, agents, and representatives having sales, advertising, or policy responsibility with respect to the subject matter of this order who are associated with respondents or any subsidiary, successor, or assign, within three (3) days after the person assumes his or her position.

XI.

It is further ordered, That respondents shall, within sixty (60) days after the date of service of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

EXHIBIT 1

LEGAL REQUIREMENTS

Possession and/or use of a MACE unit may be regulated or prohibited by law in some jurisdictions. If there is any question, check with your local police department. Federal law makes it a crime to transport a MACE unit on a passenger aircraft.

TESTING FOR REMAINING CONTENTS

1. Place the unit upside down on the bottom of a large flat bottomed glass which is 8 inches or more deep.
2. Steady device against bottom of glass with finger and let water to 50% the on device.
3. Allow device to float free in an upright position while loosely attaching it with the thumb and forefinger to prevent from slipping. (See Figure 2). Percentage marker line at water surface indicates remaining contents.
4. Remove and shake out excess water.



NOTE: If device does not float, more than 80% of contents remain.

MACE UNIT SAFETY AND STORAGE

In light of the potential for serious skin irritation and, in extreme cases, of first and second degree burns, it is important to keep your MACE unit out of the reach of children and irresponsible adults. Do not store it in an environment where the temperature may exceed 120° F as the unit may leak from over pressurization and fail to function properly. Also, do not store the unit in an extremely cold environment since this may cause depressurization and the loss of firing range.

CARE OF YOUR MACE UNIT

Each MACE unit has an expiration date marked on the unit, after which the unit should be discarded. Dispose of the remaining contents by discharging the contents on the ground until empty. Take care to discharge the MACE unit downwind and away from all persons and animals in the vicinity. Avoid getting MACE on you and your clothing. If this happens, proceed as outlined in the First Aid section. The empty unit should be wrapped in a plastic bag and disposed of in a trash container. Do not puncture the MACE unit since it is under pressure and will discharge if punctured. Do not increase or place the unit in an environment where the temperature may exceed 120° F. Never tamper with or remove the red actuator button.

LIMITED WARRANTY

MSI warrants that your MACE unit shall be free from defects in material and workmanship which arise prior to the expiration date shown on the unit. Any implied warranties, including those of merchantability or fitness for a particular purpose are also limited to the expiration date shown on the unit and any action must be commenced within 90 days following the expiration date.

MSI's obligation under this warranty is limited to replacement of the defective unit which is returned to MSI within 90 days following the expiration date shown on the unit. The above remedy is exclusive and shall not apply if the unit has been subject to misuse or abuse.

Under no circumstance shall MSI be responsible for incidental or consequential damages with respect to economic loss or injury to person or property, whether as a result of breach of express or implied warranty, negligence, or otherwise. MSI will not be responsible for the result of careless handling or unreasonable use.

This warranty gives you specific rights, and you may also have other rights which vary from state to state. Some states do not allow time limitations on an implied warranty, or the exclusion or limitation of incidental or consequential damages, so the above exclusions may not apply to you.

MSI is licensed to use the MACE trademark.

Made in the U.S.A.
Printed in the U.S.A.

MSI-MK-VI-2-92

MSI
160 Benmont Avenue
Bennington, VT 05201
1-800-255-2634
1-802-447-1503

mace
BRAND SELF-DEFENSE SPRAY

CAUTION
STRONG IRRITANT
CONTENTS UNDER PRESSURE

CONGRATULATIONS

You have purchased a MACE unit which contains the same formulation that has been proven in over twenty years of use by police departments. In fact, it has been chosen by more police departments than any other tear gas aerosol contained. IMPORTANT: PLEASE READ BEFORE USING YOUR MACE UNIT. We'd like to offer a few simple suggestions to help.

1. Your MACE unit contains 0.5 fluid ounces of tear gas in solution. This is enough for about 18 one-half second bursts. If you intend to rely upon your MACE unit as a defense, you should test the functioning of your unit periodically by discharging one or two bursts outdoors in a safe area away from all persons and animals in the vicinity. Take care that you do not exhaust the contents of the unit you intend to rely upon.
2. Your best protection is to avoid potentially dangerous situations if you can. Always be aware of your environment and the people around you. Be especially alert after dark.
3. Do everything you possibly can to escape from an assailant before resorting to the use of your MACE unit.
4. Do not use your MACE unit on an assailant who appears to be armed. Even though it may take only a few seconds for the MACE formulation to take effect, an armed assailant might use his weapon during those few seconds.

HOW TO USE YOUR MACE UNIT

1. When you sense that you are in a potentially dangerous situation, carry your MACE unit in your hand, and your thumb under the safety cover (A) and be ready to spray the assailant by pressing down on the red button (B) with your thumb. (See Figure 1).



2. Notice how the MACE unit is shaped so that you can feel by the feel how it should be held. The safety cover will prevent access to the red button if you hold the unit backward. The shape of your MACE unit will enable you to know, even in the dark or in a stressful situation, when the device is properly oriented and ready for use.

3. If you have to use your MACE unit, point and spray short bursts at the facial area of your assailant. Since the MACE formulation vaporizes on contact with the skin, it is not necessary to hit the assailant directly in the eyes. If you are using your MACE unit to repel an attacker, continue to fire until the attacker is incapacitated, then get away to a safe place as quickly as possible. Do not attempt to punish the attacker by continuously spraying because you may cause unnecessary suffering. Do not try to take the attacker into custody—you might be injured if you do. Contact the police when you are safely away.

4. The MACE unit is designed to be actuated in short one-half second bursts aimed at the face. When actuated, a stream of tear gas will issue from the unit a distance approximately 7-10 feet (more or less, depending upon the pressure in the unit and wind conditions). Avoid spraying directly into the wind. Use the unit when it is in the upright position, otherwise it may not function properly then or afterwards.

THE EFFECTS OF MACE FORMULATION

The MACE formulation is tear gas which causes profuse tearing if applied to or near the eyes. While most effective if applied to the eyes, it will cause tearing even if applied to the lower face or chest. MACE formulation will also induce a painful burning sensation to the eyes and skin. These effects begin to be felt in the usual case within 8 seconds.

However, effectiveness may be diminished on those having reduced sensitivity to pain. Also MACE formulation is usually not effective on dogs or other animals so you should not rely upon it to repel them.

Within 20 minutes after application the effects will diminish and your attacker will begin to recover. Remember that the effects are temporary and that your attacker may recover faster than the normal 20 minute period.

FIRST AID

CAUTION: FAILURE TO FOLLOW THESE INSTRUCTIONS MAY RESULT IN FIRST OR SECOND DEGREE BURNS, SEVERE SKIN IRRITATION, DEPENDENTATION OR OTHER SERIOUS INJURY.

1. Remove contact lenses and contaminated clothing immediately. Contaminated clothing should be washed or dry cleaned, as appropriate, prior to re-use to prevent skin injury.
2. Flush contaminated areas with large quantities of cool water or a dilute baking soda solution and expose the area to fresh air as soon as possible.
3. Do not apply salves, ointments, oils or lotions as they can trap the irritant upon the skin and result in blisters or burns. Consult a physician if irritation persists.

NOTE: The MACE unit contains a formulation of Phenylchloroacetylcholine (a highly purified form of CA) in a proprietary blend of mixed solvents consisting of 1, 1, 2 trichloro-1, 2, 2 tetrafluoroethane (approximately 80%), 1, 1, 1 trichloroethane (approximately 8%), and carbon dioxide as a propellant. The concentration of Phenylchloroacetylcholine (CA) is approximately 0.20 grams when formulated.

APPENDIX A

[To Be Printed On MACE Security International, Inc. Letterhead]

Dear [name of distributor]:

MACE Security International, Inc. ("MSI") and Personal Security, Inc. ("PSI") have entered into a consent agreement with the Federal Trade Commission ("FTC") to stop making certain representations about the effectiveness of MACE with 1% CN and other chemical self-protection products unless the representations are true and adequately substantiated. The FTC alleged that the advertising for MACE made the following false and unsubstantiated representations:

- (1) That one spray of MACE will stop an assailant;
- (2) That any contact with the upper torso by a spray of MACE will stop an assailant; and
- (3) That use of MACE will instantly stop an assailant.

The FTC also alleged that MSI and PSI, while making effectiveness claims, failed to disclose adequately that (a) it may take several seconds for the effects of MACE to begin, and (b) MACE may not be effective on many assailants including those who are armed, enraged, drugged, intoxicated, or otherwise desensitized.

Finally, the FTC alleged that MSI and PSI did not possess adequate substantiating evidence for the following representations:

- (1) That MACE will keep an assailant incapacitated for up to or about 20 minutes;
- (2) That the effectiveness of MACE for civilian self-protection has been proven in use by police forces;
- (3) That four out of five police officers in the United States carry MACE; and
- (4) That over 4000 police departments in the United States use MACE for protection against assault.

The products covered by this consent agreement include MACE and other chemical self-protection products. You were previously supplied with promotional materials or advertising copy that make the above representations. You should stop using or relying on these materials as the basis for your own advertising unless and until we provide you with adequate substantiation for the representations or provide new materials or advertising copy that comply with the consent agreement.

Sincerely,

Jon E. Goodrich
President, MACE Security International, Inc. and
Personal Security, Inc.

APPENDIX B

[To Be printed On MACE Security International, Inc. Letterhead]

Dear Consumer:

Our records indicate that you purchased MACE chemical self-protection spray from our company. This is to advise you that MACE Security International, Inc. ("MSI") and Personal Security, Inc. ("PSI") have entered into a consent agreement with the Federal Trade Commission ("FTC") to stop making certain representations about the effectiveness of MACE with 1% CN and other chemical self-protection products unless the representations are true and adequately substantiated. The FTC alleged that the advertising for MACE made the following false and unsubstantiated representations:

- (1) That one spray of MACE will stop an assailant;
- (2) That any contact with the upper torso by a spray of MACE will stop an assailant; and
- (3) That use of MACE will instantly stop an assailant.

The FTC also alleged that MSI and PSI, while making effectiveness claims, failed to disclose adequately that 1) it may take several seconds for the effects of MACE to begin, and 2) MACE may not be effective on many assailants including those who are armed, enraged, drugged, intoxicated, or otherwise desensitized.

Finally, the FTC alleged that MSI and PSI did not possess adequate substantiating evidence for the following representations:

- (1) That MACE will keep an assailant incapacitated for up to or about 20 minutes;
- (2) That the effectiveness of MACE for civilian self-protection has been proven in use by police forces;
- (3) That four out of five police officers in the United States carry MACE; and
- (4) That over 4000 police departments in the United States use MACE for protection against assault.

The products covered by this consent agreement include MACE and other chemical self-protection products. We advise that you limit your use of MACE in accordance with these restrictions:

- (1) MACE may not be effective against armed assailants.
- (2) MACE may take several seconds to work.
- (3) MACE may not work on enraged, drugged, or intoxicated assailants.

Sincerely,

Jon E. Goodrich
President, MACE Security International, Inc. and
Personal Security, Inc.

Modifying Order

117 F.T.C.

IN THE MATTER OF

ARKLA, INC.

MODIFYING ORDER IN REGARD TO ALLEGED VIOLATION OF
SEC. 7 OF THE CLAYTON ACT AND SEC. 5 OF
THE FEDERAL TRADE COMMISSION ACT

Docket C-3265. Consent Order, Oct. 10, 1989--Modifying Order, Mar. 28, 1994

This order grants a petition to reopen the proceeding and modifies the Commission's 1989 consent order (112 FTC 509) by modifying the description of the assets identified in paragraph I(j) and Schedule B of the order as the Arkla Pipeline Assets. The Commission concluded that changed conditions warranted reopening and modifying the order.

ORDER

Arkla, Inc. ("Arkla"), filed a "Petition To Reopen and Modify Consent Order, Request for Approval of Divestiture by Arkla, Inc., Required by Final Order, and Request for Expeditious Consideration, Including Waiving the Public Comment Period" ("Petition"), in Docket C-3265 on March 2, 1994, pursuant to Section 5(b) of the Federal Trade Commission Act, 15 U.S.C. 45(b), and Section 2.51 of the Commission's Rules of Practice, 16 CFR 2.51.¹ In its Petition, Arkla requests that the Commission reopen the consent order issued on October 23, 1989 ("order"), and modify the description of the assets identified in paragraph I(j) and Schedule B of the order as the "Arkla Pipeline Assets." Arkla bases its request to reopen and modify the order on changed conditions of fact and law and the public interest. For the reasons discussed below, the Petition is granted.

I. Background

The order was issued by the Commission to remedy the alleged anticompetitive effects of Arkla's 1986 acquisition of a pipeline and right of way of the TransArk Transmission Company ("TransArk Assets"). The complaint alleged that the acquisition eliminated the

¹ Arkla previously filed a petition to reopen the order on December 6, 1993; Arkla withdrew the December petition when the current Petition was filed.

TransArk Assets as an actual and a potential competitor in the transportation of gas to consumers in the Conway-Morrilton-Russellville, Arkansas, area and in the transportation of gas out of the Affected Portion of the Arkoma Basin, as defined in the order.

The order requires Arkla, among other things, to divest within eighteen months of the date the order becomes final, the TransArk Assets or, in the alternative, at the sole discretion of the Commission, the Arkla Pipeline Assets, as defined in the order. The purpose of the divestiture is to remedy the lessening of competition alleged in the complaint. Divestiture under the order is subject to the prior approval of the Commission.

On June 7, 1991, the Commission approved a divestiture by Arkla of the Arkla Pipeline Assets to ANR Pipeline Company ("ANR"), pursuant to an agreement between Arkla and ANR ("1989 agreement") that also was subject to approval by the Federal Energy Regulatory Commission ("FERC"). In October 1992, FERC approved the 1989 agreement, subject to certain conditions. In August 1993, Arkla and ANR entered into an "Amended and Restated Sale of Pipeline Interests Agreement" ("1993 Agreement"), which also is subject to approval by the Commission and by FERC. Arkla seeks a modification of the order to conform the description of the assets to be divested under the order with the facilities that Arkla proposes to sell to ANR under the 1993 Agreement.

II. Standards for Reopening and Modifying an Order

Section 5(b) of the Federal Trade Commission Act, 15 U.S.C. 45(b), provides that the Commission shall reopen an order to consider whether it should be modified if the respondent "makes a satisfactory showing that changed conditions of law or fact" so require. A satisfactory showing sufficient to require reopening is made when a request to reopen identifies significant changes in circumstances and shows that the changes eliminate the need for the order or make continued application of it inequitable or harmful to competition. S. Rep. No. 96-500, 96th Cong., 2d Sess. 9 (1979) (significant changes or changes causing unfair disadvantage); *Louisiana-Pacific Corp.*,

Docket No. C-2956, Letter to John C. Hart (June 5, 1986), at 4 (unpublished) ("Hart Letter").²

Section 5(b) also provides that the Commission may modify an order when, although changed circumstances would not require reopening, the Commission determines that the public interest so requires. Respondents are therefore invited in petitions to reopen to show how the public interest warrants the requested modification. Hart Letter at 5; 16 CFR 2.51. In such a case, the respondent must demonstrate as a threshold matter some affirmative need to modify the order. *Damon Corp.*, Docket No. C-2916, Letter to Joel E. Hoffman, Esq. (March 29, 1983), at 2 (unpublished) ("Damon Letter"). For example, it may be in the public interest to modify an order "to relieve any impediment to effective competition that may result from the order." *Damon Corp.*, Docket No. C-2916, 101 FTC 689, 692 (1983). Once such a showing of need is made, the Commission will balance the reasons favoring the requested modification against any reasons not to make the modification. Damon Letter at 2. The Commission also will consider whether the particular modification sought is appropriate to remedy the identified harm. Damon Letter at 4.

The language of Section 5(b) plainly anticipates that the burden is on the petitioner to make a "satisfactory showing" of changed conditions to obtain reopening of the order. The legislative history also makes clear that the petitioner has the burden of showing, other than by conclusory statements, why an order should be modified. The Commission "may properly decline to reopen an order if a request is merely conclusory or otherwise fails to set forth specific facts demonstrating in detail the nature of the changed conditions and the reasons why these changed conditions require the requested modification of the order." S. Rep. No. 96-500, 96th Cong., 1st Sess. 9-10 (1979); *see also* Rule 2.51(b) (requiring affidavits in support of petitions to reopen and modify). If the Commission determines that the petitioner has made the necessary showing, the Commission must reopen the order to consider whether modification is required and, if so, the nature and extent of the modification. The Commission is not required to reopen the order, however, if the petitioner fails to meet its burden of making the satisfactory showing required by the statute.

² *See also United States v. Louisiana-Pacific Corp.*, 967 F.2d 1372, 1376-77 (9th Cir. 1992) ("A decision to reopen does not necessarily entail a decision to modify the order. Reopening may occur even where the petition itself does not plead facts requiring modification.").

The petitioner's burden is not a light one in view of the public interest in repose and the finality of Commission orders. *See Federated Department Stores, Inc. v. Moitie*, 425 U.S. 394 (1981) (strong public interest considerations support repose and finality).

III. Arkla's Petition To Reopen

Arkla in its Petition states that reopening and modifying the order is warranted by changes in fact and law and by public interest considerations. In the Petition, Arkla requests that the definition of the Arkla Pipeline Assets be modified to exclude an interest in Arkla's gathering facilities in ten counties in Arkansas and Oklahoma and to alter the specific pipeline segments in which Arkla must divest an interest.

As changed conditions, Arkla identifies the issuance in 1992 by the Federal Energy Regulatory Commission ("FERC") of order No. 636 and the conditions placed by FERC, in October 1992, on its approval of the 1989 agreement between Arkla and ANR with respect to the Arkla Pipeline Assets.³ Arkla states that the conditions imposed by FERC, in the context of FERC order No. 636, "significantly altered the contract which the FTC had approved." Petition at 8. Arkla also states that the conditions imposed by FERC fundamentally altered the bargain struck by Arkla and ANR in the 1989 agreement,⁴ causing the parties to consider whether to renegotiate or abandon their proposed transaction.⁵

Arkla states that FERC order No. 636 has brought sweeping changes in the interstate pipeline industry. Order No. 636 requires pipelines to separate (or "unbundle") each element of services

³ FERC issued an order concerning the 1989 agreement on October 1, 1992. After rehearing, FERC issued a modified order on May 20, 1993. Petition at 8.

⁴ FERC conditioned its approval of the 1989 agreement on ANR's having the right to access all gas receipt and delivery points in portions of the Arkla Pipeline in which ANR was to receive an interest. Petition at 13-14. FERC also required Arkla and ANR to designate specific pipeline segments in which ANR would acquire an interest. The 1989 agreement approved by the Commission provided limited receipt and delivery points to ANR and designated several alternative pipeline transportation routes instead of specific pipeline segments.

⁵ Arkla appealed the FERC order placing conditions on the 1989 agreement and, on August 5, 1993, Arkla and ANR agreed to the 1993 Agreement. The 1993 Agreement, like the 1989 agreement, is subject to approval by both the Commission and FERC.

previously provided as a package to customers,⁶ such as gathering,⁷ storage, transportation and sales. The purpose of FERC order No. 636, according to Arkla, "was to develop competition at the wellhead for the sale of natural gas by allowing users of the gas to contract directly with the sellers of the gas." ANR Statement at 19.⁸ Before FERC order No. 636 was issued, an acquirer of the Arkla Pipeline Assets would need capacity on Arkla's gathering system to obtain gas supply from the producing fields. "In the new order No. 636 environment," an acquirer of the Arkla Pipeline Assets no longer requires an interest in the gathering system, because "shippers [can] contract for gathering services directly with third party gatherers in the Arkoma Basin and have their gas delivered to [an acquirer's] interest in the Arkla system."⁹ ANR Statement at 17.

Arkla also states that reopening and modifying the order is warranted in the public interest to ensure that divestiture of the Arkla Pipeline Assets, as modified, will occur. According to Arkla, FERC so altered the contractual bargain between Arkla and ANR that the transaction approved by the Commission was uneconomic. Because Arkla and ANR would not have consummated the transaction as reformed by the FERC conditions, Arkla states that its only option would be to divest the TransArk Assets. Divestiture of the TransArk Assets would be unsatisfactory, according to Arkla, because substantially less capacity for the transportation of gas would be divested, as compared to the Arkla Pipelines Assets, and because divestiture would be delayed by the need to go through FERC abandonment proceedings.

⁶ According to Arkla, FERC order No. 636, among other things, requires pipelines to offer separate prices for each element of service, to assign their pipeline capacity to former customers, and to allow customers to use all points "within their path" for the receipt and delivery of gas. Petition at 13.

⁷ "Gathering" includes transporting natural gas from producing wells to transmission pipelines for delivery to customers.

⁸ On February 28, 1994, ANR filed a Statement in Support of Arkla Inc.'s Petition To Reopen and Modify Consent Order and for Expedited Treatment ("ANR Statement"). The ANR Statement is incorporated by reference in Arkla's Petition.

⁹ FERC order No. 636, by requiring that pipelines offer and price each component of transportation service separately, enables shippers to contract with one firm for gathering services and with another for transportation services. Under order No. 636, a pipeline company can participate in the transportation market without also owning a gathering system. Petition at 14-15; ANR Statement at 16-17.

IV. The Petition Is Granted

Arkla has shown changed conditions that warrant reopening the order to consider whether the description of the assets to be divested, the Arkla Pipeline Assets, should be modified as requested. Arkla also has shown that the requested modification should be granted.

Arkla in its Petition states that the divestiture that the Commission approved in 1991 was not completed, because subsequent action by FERC, in light of FERC order No. 636, changed the terms of the divestiture that had been approved by the Commission. Arkla also claims that the conditions imposed by FERC on the 1989 agreement "were inconsistent with the FTC approval" of the agreement. Petition at 8.

After FERC imposed conditions on the 1989 agreement, several alternative courses may have been open to Arkla,¹⁰ but completion of the divestiture approved by the Commission was not one of them.¹¹ The order modifications that Arkla requests would accommodate the revised transaction that Arkla and ANR now propose in an attempt to satisfy three different, but not necessarily inconsistent interests: (1) the requirement under the order of the Commission that Arkla divest certain assets to remedy alleged anticompetitive effects, (2) the interests of FERC in carrying out its mission under federal law to regulate gas pipeline systems, and (3) the business interests of Arkla and ANR "in an economic environment that has been fundamentally altered by the issuance of order No. 636."¹² See Petition at 9. We agree that Arkla has made a sufficient showing of changed circumstances to warrant reopening the order.¹³

We also have determined that the modifications to the order that Arkla has requested are consistent with the remedial purpose of the

¹⁰ One alternative, an appeal from the FERC order imposing conditions on the 1989 agreement, has been "held in abeyance by the Court and the record returned to the FERC to allow it to consider" the renegotiated agreement between Arkla and ANR. Petition at 8. Arkla might have sought the Commission's approval of the agreement as revised by FERC, but this possibility assumes ANR's acquiescence. The reduced purchase price and ANR's expanded access to receipt and delivery points under the 1993 Agreement may imply that ANR declined, in light of actions by FERC, to go forward with the 1989 agreement.

¹¹ The saga is not over: The 1993 Agreement still must be approved by FERC.

¹² The interests of ANR (or another acquirer proposed by Arkla) also must be accommodated, because there cannot be a proposed divestiture without a proposed acquirer.

¹³ Because the Commission is granting Arkla's petition to reopen the order on the ground of changed conditions, the Commission need not and does not address Arkla's public interest arguments.

order and should be made. The modifications will change the definition of "Arkla Pipeline Assets" by (1) excluding the gas gathering facilities identified in Schedule B to the order, and (2) altering the description in Schedule B of the Arkla Pipeline Assets (*See Exhibit A, attached*).

Divestiture of the gas gathering facilities in connection with the Arkla Pipeline Assets no longer appears to be necessary to restore the alleged lessening of competition. The complaint alleged that Arkla would have market power with respect to gas producers. In light of FERC order No. 636 and the conditions that FERC announced for the 1989 agreement, ANR was able to obtain under the 1993 Agreement interconnection rights that "provide shippers and producers even greater flexibility than would an acquisition of Arkla's existing gathering facilities." ANR Statement at 19.

The additional changes requested in the description of the Schedule B assets also reflect conditions that FERC imposed on the 1989 agreement. Under the 1989 agreement, Arkla was to transfer to ANR an interest in four alternative pipeline routes to deliver a certain quantity of gas from the Arkoma Basin and the Chandler station in southeast Oklahoma to ANR's pipeline interconnection at Perryville, Louisiana, but ANR could not specify a particular route or use any receipt or delivery points along the alternate routes. Under FERC order No. 636 and the FERC order concerning the 1989 agreement, Arkla and ANR were required to designate specific pipeline facilities on which ANR would have access to all receipt and delivery points. ANR Statement at 13. The proposed revised description of the Arkla Pipeline Assets identifies specific pipeline segments on which ANR will be able to transport gas from the Arkoma Basin to Perryville and eliminates the alternative routes that are not necessary under FERC's order. The proposed modifications in the description of the Arkla Pipeline Assets are outside the markets identified in the Commission's complaint and order and would not affect ANR's ability to receive and deliver gas in the relevant markets.

The Commission has considered comments that were filed in connection with Arkla's Petition.¹⁴ NOARK Pipeline System, L.P., and Transok, Inc., wrote in support of Arkla's Petition. Arkansas

¹⁴ Although the public comment period was waived on Arkla's Petition, some comments were filed. The Commission also has considered comments that were filed in connection with Arkla's December 1993 petition, which was on the public record for 30 days.

Gas Consumers and the law firm of Travis & Gooch, writing on behalf of several gas shippers, oppose granting the Petition unless approval is conditioned on a requirement that Arkla's gathering facilities remain subject to FERC jurisdiction and to "open access" requirements and nondiscriminatory rates under FERC order No. 636. The commenters are concerned in light of Arkla's request, now pending, that FERC approve a transfer of Arkla's gathering system to an affiliate and abandon jurisdiction over the gathering system affiliate.¹⁵

Although we appreciate the concern about application of FERC order No. 636 to Arkla's gathering system, other considerations suggest that we should not impose such a condition.¹⁶ The Commission's order contemplated that divestiture by Arkla of the Arkla Pipeline Assets, including the gathering facilities, would be sufficient to remedy the alleged anticompetitive effects of Arkla's acquisition of the TransArk Assets. Arkla has shown that the contract rights of access to gathering facilities that ANR will acquire under the 1993 Agreement will enable ANR to be an effective competitor without owning the gathering lines. Although continued application of FERC order No. 636 to the gathering facilities might appear likely to enhance competition in gathering markets, the order does not impose such a condition, and imposing such a condition now would appear to extend the scope of the relief beyond what was contemplated by the order.

V. Conclusion

Accordingly, *It is ordered*, That this matter be, and it hereby is, reopened, and that the order in Docket C-3265 be, and it hereby is, modified, as of the effective date of this order, as follows:

¹⁵ Although independent gathering systems are not subject to FERC jurisdiction, gathering systems owned by interstate pipeline companies have been subject to FERC jurisdiction. Since the issuance of FERC order No. 636, a number of integrated pipeline companies have opted to "spin down" their gathering systems to separate affiliates and to apply to FERC to abandon jurisdiction over the gathering system affiliate. To date, FERC has responded by imposing a modified regulation of the spin-down affiliates instead of abandoning jurisdiction. Arkla submitted its request for FERC approval of a "spin down" and of deregulation on October 21, 1993.

¹⁶ FERC is considering Arkla's proposed spin down, and the commenters have made their views concerning the proposal known to FERC.

A. By deleting the words "and gas gathering facilities" from the definition of "Arkla Pipeline Assets" in paragraph I(j) of the order; and

B. By deleting the existing Schedule B to the order and substituting therefor a new Schedule B, attached hereto as Exhibit A.

Commissioner Owen not participating.

EXHIBIT A

Schedule 1.3

to

Sale of Pipeline Interests Agreement

ARKLA PIPELINE INTERESTS

The following describes the portions of the Arkla System (as shown on the map at Page 8 of 8, which is inserted for purposes of description only and is not intended to affect interpretation of this Agreement) in which undivided interests are included in the Arkla Pipeline Interests pursuant to Sections 1.3(a) through 1.3(c) of the Agreement to which this Schedule is attached (all terms used herein with initial capital letters which are not otherwise defined are so used with the respective meanings ascribed to them in such Agreement):

1. The real property, line pipe in place, equipment in place and transmission and related facilities (including, without limitation, compression and measurement facilities) associated with (a) that portion of AER's main transmission lines designated AC, ACT-1, ACT-2, AD ADT-3, O, O-1-O, J (to the eastern boundary of Pope County), BT-1 (to the southeastern boundary of Tell County, Arkansas) and BT-1AN (to the southeastern boundary of Yell County, Arkansas) commencing at the point at which the ANR System interconnects with the AER System near AER's Custer Compressor Station in Section 4, Township 13N, Range 17W in Custer County, Oklahoma and extending easterly through Custer, Caddo, Coal, Atoka, Grady, McClain, Pontotoc, Hughes, Pittsburg, Latimer, Pushmataha, LeFlore and McCurtain Counties, Oklahoma and Sebastian, Crawford, Franklin, Logan, Johnson, Yell, Pope, Polk, Howard, Pike, Clark, Hot Spring, Grant, Dallas, Cleveland and Lincoln Counties, Arkansas, and (c) that portion of AER's line designated FT-18 commencing at the outlet of MRT's Perryville Compressor Station near Monroe, Louisiana and extending to the interconnections with Line FM-56 AER/ANR (that pipeline jointly owned by AER and Purchaser), but excluding any part of AER's existing ownership interest in Line FM-56 AER/ANR, and with AER's Line FM-59, and AER's Line FM-59 to the interconnection with the facilities of Texas Gas Transmission Corporation; and

2. The real property, line pipe in place, equipment in place and transmission and related facilities (including, without limitation, compression and measurement facilities) associated with that portion of AER's transmission line designated BT-14 commencing at the AER System's Survey Station Number 134 + 40 in Sebastian County, Arkansas and terminating at the AER System's Survey Station Number 8193 + 63 at McRae, White County, Arkansas, (such real property, line pipe, equipment and facilities, together with those items referred to in Item 3 of this Schedule 1.3, being collectively referred to as the "Transark Pipeline"); and

3. The real property, line pipe in place, equipment in place and transmission and related facilities (including, without limitation, compression and measurement

facilities) associated with that portion of MRT's transmission line designated A-294 commencing at the AER System's Survey Station Number 8193 + 63 at McRae, White County, Arkansas and extending easterly to the point in Section 21, Township 6N, Range 6W in White County, Arkansas at which such line interconnects with the main transmission lines of the MRT System designated 1, 2 and 3; and

4. The real property, line pipe in place, equipment in place and transmission and related facilities (including, without limitation, compression and measurement facilities) associated with the portions of AER's transmission trunklines and transmission compression facilities located in the Arkoma Basin (as defined in Section 1.3 of the Agreement) and listed on pp. 4-7 of this Schedule 1.3; and

5. The real property, line pipe in place, equipment in place and transmission and related facilities (including, without limitation, compression and measurement facilities) associated with that portion of the main lines of the MRT System designated 1, 2 and 3 commencing at the point at which said lines interconnect with MRT's Line A-294 and extending southerly from such point to the outlet of MRT's Perryville Compressor Station near Monroe, Ouachita Parish, Louisiana, and the interconnections with AER's Line FT-18 and Line FM-56 AER/ANR.

AER TRANSMISSION COMPRESSORS

| <u>Station</u> | <u>Location</u> |
|----------------|-----------------------------|
| CHAMBERS | Line BT-1-AN, Yell Co, AR |
| CHANDLER | Line AD, Latimer Co., OK |
| DUNN | Line O, Logan Co., AR |
| DUNN JUNCTION | Line O, Logan Co., AR |
| PINEY | Line J, Pope Co., AR |
| WALKER | Line BT-1, Franklin Co., AR |
| MALVERN | Line AC, Hot Spring Co., AR |

MRT TRANSMISSION COMPRESSORS

| <u>Station</u> | <u>Location</u> |
|----------------|---------------------|
| CARLISLE | Loneoke Co., AR |
| SHERRILL | Jefferson Co., AR |
| GLENDALE | Lincoln Co., AR |
| FOUNTAIN HILL | Ashley Co., AR |
| PERRYVILLE | Ouachita Parish, LA |

REPLACEMENT PAGE

SCHED. 1.3

ARKOMA BASIN TRUNKLINE COMPRESSOR

| <u>Station</u> | <u>Country</u> | <u>State</u> |
|-------------------|----------------|--------------|
| Clarksville | Johnson | AR |
| Hobbs | Sebastian | AR |
| North Russelville | Haskell | AR |
| Morrison Bluff | Logan | AR |
| South Aetna | Franklin | AR |
| South East Spiro | Le Flore | OK |
| Spadra | Logan | AR |
| Spiro | Le Flore | OK |
| Tates Island #1 | Johnson | AR |
| Tates Island #2 | Johnson | AR |
| Union City | Johnson | AR |
| Webb City | Franklin | AR |

REPLACEMENT PAGE

ARKOMA BASIN TRANSMISSION TRUNKLINES

| <u>Line No.</u> | <u>County</u> | <u>State</u> |
|-----------------|-----------------------------|--------------|
| AD-107-A | Pittsburg | OK |
| ADT-17 | Pittsburg | OK |
| ADT-18 | Pittsburg | OK |
| B | Various (BM-10 to Piney) | |
| B-3 | Johnson | AR |
| B-55-EXT | Crawford | AR |
| B-137 | Johnson | AR |
| B-173 | Johnson | AR |
| B-174 | Johnson | AR |
| B-214 | Johnson | AR |
| B-221 | Johnson | AR |
| B-245 | Johnson | AR |
| B-248 | Johnson | AR |
| B-256 | Johnson | AR |
| B-271 | Johnson | AR |
| B-274 | Sebastian | AR |
| B-307 | Johnson | AR |
| B-312 | Franklin | AR |
| B-321 | Johnson | AR |
| B-354 | Johnson | AR |
| B-360 | Johnson | AR |
| B-372 | Johnson | AR |
| B-399 | Franklin | AR |

ARKOMA BASIN TRANSMISSION TRUNKLINES

(continued)

| <u>Line No.</u> | <u>County</u> | <u>State</u> |
|-----------------|---------------|--------------|
| B-403 | Johnson | AR |
| B-412 | Johnson | AR |
| B-419 | Johnson | AR |
| B-428 | Johnson | AR |
| B-429 | Johnson | AR |
| B-435 | Johnson | AR |
| B-437 | Johnson | AR |
| B-449 | Franklin | AR |
| B-457 | Franklin | AR |
| B-478 | Franklin | AR |
| B-483 | Johnson | AR |
| B-536 | Johnson | AR |
| B-547 | Johnson | AR |
| B-564 | Johnson | AR |
| BM-10 | Johnson | AR |
| BM-15 | Franklin | AR |
| BM-20 | Pope | AR |
| BM-25 | Franklin | AR |
| BT-2 | Johnson | AR |
| BT-2-A | Johnson | AR |
| BT-5 | Franklin | AR |
| BT-8 | Johnson | AR |
| BT-11 | Johnson | AR |
| BT-11-A | Johnson | AR |
| BT-16 | Johnson | AR |
| BT-17 | Johnson | AR |
| BW-393-Z | Johnson | AR |
| BW-596-Z | Franklin | AR |
| BW-1507 | Johnson | AR |
| BW-1705 | Johnson | AR |
| BW-1934 | Johnson | AR |
| BW-2003 | Johnson | AR |
| J-13 | Pope | AR |
| J-24 | Pope | AR |
| JT-1 | Logan | AR |
| JT-2 | Pope | AR |
| JT-3 | Logan | AR |
| JT-4 | Logan | AR |
| O-216 | Latimer | OK |
| O-577 | Haskell | OK |
| O-678 | Haskell | OK |
| OM-1 | Various | AR |
| OT-1 | Le Flore | OK |

ARKOMA BASIN TRANSMISSION TRUNKLINES
(continued)

| <u>Line No.</u> | <u>County</u> | <u>State</u> |
|-----------------|---------------|--------------|
| OT-1-A | Le Flore | OK |
| OT-5 | Latimer | OK |
| OT-6 | Latimer | OK |
| OT-7-A | Latimer | OK |
| OT-7 | Latimer | OK |
| OT-12 | Pittsburg | OK |
| OT-13 | Sebastian | AR |
| OT-14 | Sebastian | AR |
| OT-15 | Haskell | OK |
| OT-16 | Pittsburg | OK |
| OT-18 | Le Flore | OK |
| OT-19 | Le Flore | OK |
| OT-20 | Sebastian | OK |
| OT-21 | Pittsburg | OK |
| OT-22 | Sebastian | AR |
| OT-23 | Sebastian | AR |
| OT-27 | Sequoyah | OK |
| OT-28 | Latimer | OK |
| 33- | Pittsburg | OK |
| 34- | Pittsburg | OK |
| 34-A | Pittsburg | OK |
| 36- | Pittsburg | OK |

