

IN THE DISTRICT COURT OF THE DISTRICT OF RHODE ISLAND

DISTRICT OF RHODE ISLAND

UNITED STATES OF AMERICA,  
PLAINTIFF,

v.

ELITE DESIGNS, INC., a Rhode Island  
corporation, and

ANTHONY ANTONELLI, a Rhode Island resident,

CA 05 058 <sup>112</sup>

FILED  
FEB 14 20  
DISTRICT COURT  
DISTRICT OF RHODE ISLAND

Ventures" ("Franchise Rule" or "Rule"), 16 C.F.R. Part 436.

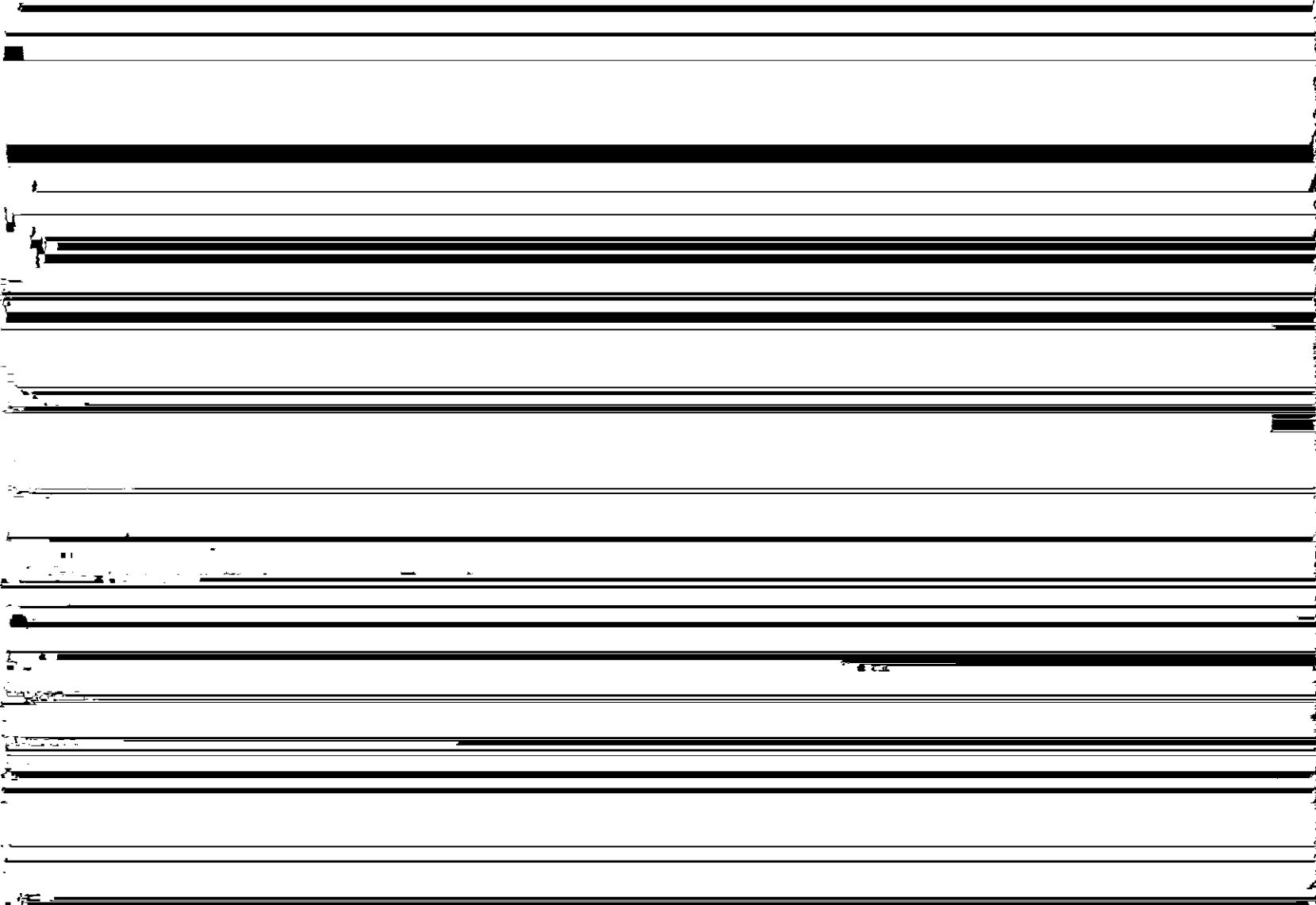
**JURISDICTION AND VENUE**

2. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §§ 1331, 1337(a), 1345, and 1355, and 15 U.S.C. §§ 45(m)(1)(A), 53(b), 56(a), and 57b. This action arises under 15 U.S.C. § 45(a).

3. Venue in the United States District Court for the District of Rhode Island is proper under 28 U.S.C. §§ 1391(b) - (c) and 1395(a), and 15 U.S.C. § 53(b).

**DEFENDANTS**

4. Defendant Elite Designs, Inc. ("Elite Designs"), a Rhode Island corporation with



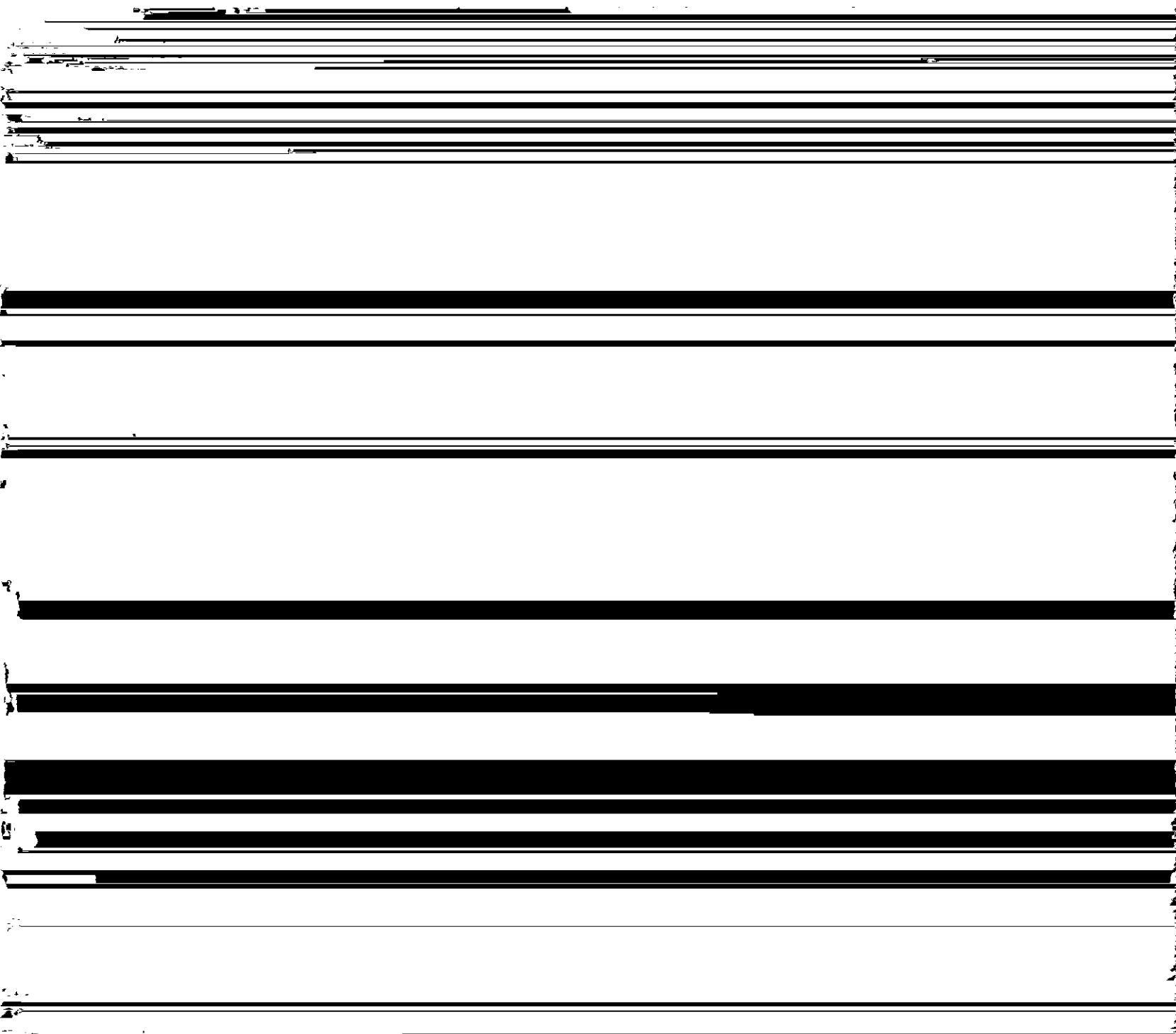
[REDACTED]

7. The defendants offer and sell fashion jewelry display rack business ventures to prospective purchasers. The defendants promote their business ventures through classified advertisements in newspapers. In their advertisements, defendants make representations about

the earnings potential of their business venture, and urge consumers to call defendants' toll-free telephone number to learn more about the opportunity. For example, defendants' classified

11. Defendants send some prospective purchasers written material, including a basic franchise disclosure document.

12. This basic franchise disclosure document, however, is incomplete or inaccurate



THE FRANCHISE RULE

13. The business ventures sold by the defendants are franchises, as "franchise" is

(c) provide as prescribed by the Rule, an earnings claim document containing

information that constitutes a reasonable basis for any earnings claim it makes, 16 C.F.R. § 436.1(b) and (c); and

(d) clearly and conspicuously disclose, in immediate conjunction with any generally disseminated earnings claim, additional information including the number and percentage of prior purchasers known by the franchisor to have achieved the same or better results, 16 C.F.R. § 436.1(e)(3)-(4).

16. Pursuant to Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), and 16 C.F.R.

§ 436.1 violations of the Franchise Rule constitute unfair or deceptive acts or practices in or

*alia*: (1) lacking a reasonable basis for each claim at the times it is made; (2) failing to disclose, in immediate conjunction with each earnings claim, and in a clear and conspicuous manner, that material which constitutes a reasonable basis for the claim is available to prospective franchisees; and/or (3) failing to provide prospective franchisees with an earnings claim document, as prescribed by the Rule.

COUNT III

Advertising Disclosure Violations

19. In connection with the offering of franchises, as "franchise" is defined in Section 436.2(a) of the Franchise Rule, the defendants violate Section 436.1(e) of the Rule and Section

Commission.

22. Section 5(m)(1)(A) of the FTC Act, 15 U.S.C. § 45(m)(1)(A), as modified by

Section 1.98(d) of the FTC Rules, 16 C.F.R. § 1.98(d), as amended, and as implemented by 16 C.F.R. § 1.98(d) (1997), authorizes this Court to award

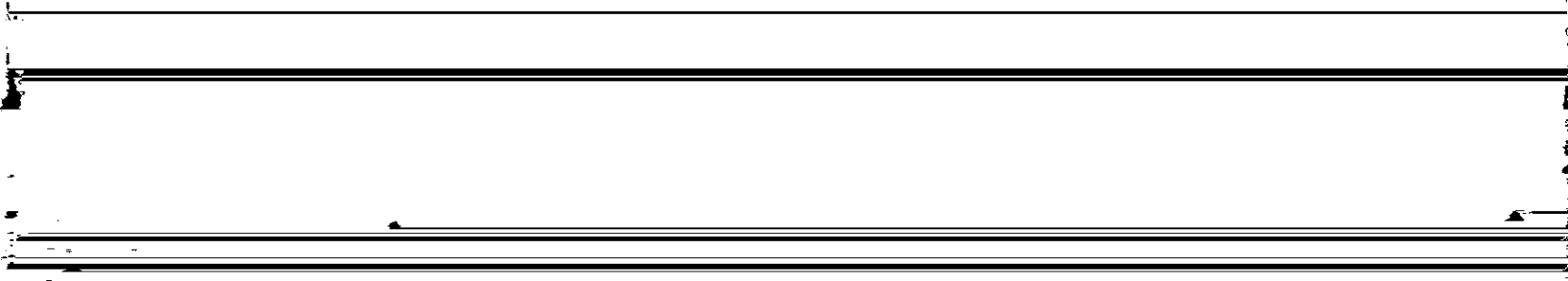
monetary civil penalties of not more than \$11,000 for each violation of the Franchise Rule. The

defendant's violation of the Franchise Rule is committed with the knowledge required by Section

violation of the Franchise Rule;

4. Award such relief as the Court finds necessary to redress injury to consumers resulting from the defendants' violations of the FTC Act and the Franchise Rule, including but not limited to, rescission of contracts, the refund of monies paid, and the disgorgement of ill-gotten gains by the defendants; and

5. Award plaintiff the costs of bringing this action, as well as such other and additional relief as the Court may determine to be just and proper






UNITED STATES OF AMERICA

PETER D. KEISLER, JR.

Civil Division  
United States Department of Justice

EUGENE M. THIROLF  
Director  
Office of Consumer Litigation

  
AMY E. GOLDFRANK, Trial Attorney  
Office of Consumer Litigation  
U.S. Department of Justice  
P.O. Box 386  
Washington, D.C. 20044