UNITED STATES DISTNCT COURT DISTRICT OF RHODE ISLAND

)
UNITED STATES OF AMERICA,

PLANTIFF,

v.)
)
1

individually and as)
an officer of the corporations, 1

DEFENDANTS. 1

C.A.

LLDisclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" ("Franchise Rule" or "Rule"), 16 C.F.R. Part 436.

corporate defendants, including the acts and practices set forth in this complaint. COMMERCE
7. At all

9. The defendants have no reasonable basis for these earnings representations and
have failed to disclose additional information including the number and percentage of prior
purchasers known by defendants to have achieved the same or better results.
10. Consumers who call the defendants' toll-free teleph1 Td [(defendants')-547ti01013.26 0 Td (

including information about tl~e litigation and bankruptcy history of the fr-mclisor and its principals, the terms and conditions under which the franchse operates, and information identifying existing franchisees. 16 C.F.R. 5 436.1(a)(l) - (a)(20). The pre-sale disclosure of this donnation required by the Rule enables a prospective franchisee to contact prior purchasers and take other steps to assess the potential risks involved in the purchase of the franchise.
16. The Franchse Rule additionally requires that a franchisor:
(a) have a reasonable basis for any oral, written, or visual earnings claim the it iTTke or

disclosing, in immediate conjunction with the claims, information required by the Franchise Rule includmg the number and percentage of prior purchasers known by the defendants to have achieved the same or better results.
CONSUMER INJURY

21. Consumers in the United States have suffered and will suffer substantial monetary
loss as a result of the defendants' violations of Section 5(a) of the FTC Act and the Franclise Rule. Absent injunctive relief by this Court, the defendants are likely to continue to injure consumers and hann the public interest.
THIS COURT'S POWER TO GRANT RELIEF

22. Section 13(b) of the FTC Act, 15 U.S.C. $

Dated: -3 2005

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Respectfully submitted,

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