

1996

ANNUAL REPORT



**U.S. FEDERAL TRADE COMMISSION
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*Annual
Report
of the*

**Federal
Trade
Commission**

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1996 ANNUAL REPORT

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COMMISSIONERS

ROBERT PITOFSKY
(4/95 -)

Robert Pitofsky was sworn in as 54th Chairman of the Federal Trade Commission on April 12, 1995. At the time he was nominated by President Clinton to chair the Commission, Chairman Pitofsky was a Professor of Law at the Georgetown University Law Center and Of Counsel to the Washington, D.C., law firm of Arnold & Porter. He also has held positions at the Federal Trade Commission as a Commissioner (1978-1981) and as Director of the Bureau of Consumer Protection (1970-1973).

Chairman Pitofsky chaired the Defense Science Board Task Force on Antitrust Aspects of Defense Industry Downsizing in 1994. He has been a member of the Council of the Administrative Conference, the Board of Governors of the D.C. Bar Association, and the Council of the Antitrust Section of the American Bar Association. In addition, he has been Dean of the Georgetown University Law Center, a professor at New York University, and a member of the Association, a s l l e o r r k T D

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Commissioner Azcuenaga is a graduate of Stanford University and the University of Chicago School of Law. She has been a member of the Administrative Conference of the United States and is a member of the Board of Trustees of the Food and Drug Law Institute and a member of the Board of Directors of the Girl Scout Council of the Nation's Capital. She is the author of numerous articles, speeches, and Commission opinions.

Commissioner Azcuenaga is a member of the bars of the District of Columbia and the State of California. She lives in Washington, D.C.

JANET D. STEIGER
(8/89 -)

Janet D. Steiger was sworn in as a member of the Federal Trade Commission on August 11, 1989. She was nominated by President Bush. Commissioner Steiger served as Chairman of the Commission from August 1989 until April 1995.

Commissioner Steiger was Chairman of the Federal TC

Commissioners

Starek was Deputy Assistant to the President and Deputy Director of Presidential Personnel at the White House. Immediately prior to joining the White House staff, Commissioner Starek worked on the Bush transition team as

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Commissioner Varney is a 1977 graduate of the State University of New York in Albany and earned a Master's in Public Administration in 1978 from the Maxwell School at Syracuse University. In 1985, she earned a Juris Doctorate from the Georgetown University Law Center, where she was a Law Fellow. She also attended Trinity College in Dublin, Ireland.

Commissioner Varney is a member of the District of Columbia Bar, the New York State Bar, the American Bar Association, and the National Lawyers' Council. She is also a committeewoman on the ABA Standing Committee on Election Law.

Commissioner Varney was born in Washington, D.C., and was raised in Syracuse, New York. She is married to Thomas J. Graham and has two children.

OVERVIEW

The Federal Trade Commission enforces a variety of federal antitrust and consumer protection laws. By eliminating acts or practices that are unfair or deceptive, the Commission seeks to ensure that the nation's markets function competitively and are vigorous, efficient, and free of undue restrictions. Its efforts are generally directed toward stopping actions that restrict competition or threaten consumers' ability to exercise their choice of products and services.

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that matter most to consumers. In fiscal year 1996, more than 80 percent of the Mission's resources, measured by staff hours devoted to large cases, were at work in six key areas of the economy: health care, pharmaceuticals, information and technology, energy, consumer goods and services, and defense (where the consumer as taxpayer is the beneficiary). The agency's enforcement actions against proposed mergers in these key industries have made a difference. The Commission's actions:

- Prevented increases in health care costs paid by U.S. businesses for their employees (where the health care costs are borne by the employees).

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in competition in the markets for air traffic control systems, satellite systems, fighter aircrafts, and unmanned aerial vehicles.

Commission actions in nonmerger cases, although often less visible than faster paced merger reviews, also addressed anticompetitive conduct that threatened consumer welfare. The Commission's actions:

- Protected innovation and pricing in the computer industry. In *Dell Computer*, the Commission complaint alleged that Dell abused a computer industry standard-setting process in a way that threatened to prevent rival manufacturers from making use of an advance in technology and to raise their costs. A Commission

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experience had indicated, were unlikely to pose a threat to competition. These exemptions reduced by approximately 10 percent the number of reportable transactions.

- Decreased the rate of “second requests” for documents through use of a more thorough preliminary merger investigation, made possible by expediting the clearance process between the Commission and the Department of Justice to determine which of the two antitrust agencies would review a proposed merger, which gives staff more time to conduct a preliminary merger investigation. From fiscal year 1995 to fiscal year 1996, the percentage of Commission preliminary merger investigations in which second requests were issued dropped by a third, from 23 to 15 percent.
- Expedited administrative trial proceedings through adoption of a set of procedural rule changes. These changes, which will apply to all Commission actions, including those that involve competition issues, establish new and shorter deadlines, streamline discovery, and speed up trials.

Forward-Looking Antitrust Enforcement.—On the brink of the 21st century, the Commission is well aware of changes brought on by rapid technological development and increased globalization of the marketplace. The agency continues to refine its analysis to adapt to these changes and to structure the least intrusive enforcement that effectively protects free and competitive markets. During fiscal year 1996, the Commission:

- Exercised its special competence as a deliberative body to deal with complex competition issues and held 23 days of hearings (with testimony from 140 witnesses, including economic and legal scholars, business executives, consumer groups, state enforcement authorities, and foreign enforcement authorities) on changes in the global economy and the appropriate role of anti-trust enforcement and analysis. The staff report that followed includes an analysis of the debate and recommendations on how to implement the Competition Mission in light of these changes.
- Provided public guidance on competition in the fast-changing health care industry by issuing jointly with the Department of Justice the *1996 Statements of Antitrust Enforcement Policy in Health Care*.
- Considered the critical importance in merger analysis of “innovation markets,” or the competition between companies in

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stated, the Commission, in cooperation with the Department of Justice, also adopted new rules during fiscal year 1996 to exempt certain kinds of transactions that are unlikely to have anticompetitive effects.

Fiscal year 1996 marked the 20th anniversary of the passage of the HSR Act. The Act has become an essential component of antitrust enforcement. In particular, the Commission's effective enforcement of the Act has made parties to mergers and acquisitions more certain of the timing of stages along the investigation path, enabling them to schedule business activities with greater confidence. Similarly, the Commission can make more reliable enforcement decisions because it has access to all relevant data concerning the competitive effect of a merger. This increased certainty has led to better decisions on both sides and has also led to a process that facilitates negotiated outcomes. In sum, the Premerger Program is an important example of efficient antitrust enforcement that protects the consumer's interest in a competitive market while minimizing costs to business.

Premerger Enforcement Activities

During fiscal year 1996, the number of premerger filings increased for the fifth year in a row and totaled 3,087, marking the first time in the history of the Program that filings exceeded 3,000. This represents a 10-percent increase over the number reported during fiscal year 1995 and a 102-percent increase over the 1,529 filings recorded in fiscal year 1991.

The number of filings was at a record level even though the Commission, in an effort to eliminate filings on transactions that are unlikely to have a significant anticompetitive impact, adopted five new rules exempting certain types of transactions from the reporting and waiting period requirements. The new rules, which reduce the number of reportable transactions by an estimated 10 percent, cover transfers of goods or realty in the "ordinary course of business," the acquisition of oil and natural gas reserves valued at \$500 million or less, the acquisition of coal reserves valued at \$200 million or less, the acquisition of securities whose underlying value is represented solely by those kinds of exempt assets, and acquisitions by certain investors of rental real property.

Other premerger enforcement activities included responding to an estimated 40,000 phone calls seeking information concerning

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reportability of transactions under the HSR Act and the details involved in completing and filing premerger forms.

The HSR Act can ensure swift and efficient review of proposed mergers only if the parties comply with the Act's requirements and provide

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answer fundamental questions about the merger and the affected relevant product and geographic markets:

- Is

The Commission's merger investigations included a number of complex and significant transactions in the defense, health care, and telecommunications industries where Commission efforts helped protect competition in the midst of intense restructuring as a result of rapidly changing economic forces and technology. Notable examples include the merger between Time Warner, Inc., and Turner Broadcasting System, Inc., and the proposed, but later abandoned, merger between Rite Aid Corporation and Revco D.S.

During the year, the Commission also accepted for public comment 21 new consent agreements (of which 15 were also finalized during the year) in the following industries:

Health care	4
Industrial applications . .	4
Defense industry	4
Funeral homes	3
Supermarkets and food .	3
Communications	1
Oil and gas	1
Manufacturing	1

The Commission continued to improve the analysis of, and the remedies for, the anticompetitive effects of proposed mergers and made significant gains in achieving divestitures more quickly. During fiscal year 1996, the average time between the issuance of a

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conferences were designed to discuss substantive antitrust issues and to explore areas where the state and federal agencies could work together to promote consumer welfare. Plans are underway for future conferences.

Nonmerger Program

The Commission's Nonmerger Program includes three areas of potential anticompetitive conduct: horizontal restraints, distributional arrangements, and single firm violations. The Horizontal Restraints Program is directed at investigating collusive or other collaborative activities involving direct competitors that may harm consumers, such as price fixing. Such activities can harm consumers by raising prices and reducing the quality of available goods and services. Although some agreements among competitors, such as standard setting and the promulgation of legitimate ethical codes, can be procompetitive and even essential, such agreements also can be abused in a way that harms consumers.

The Distributional Restraints Program seeks to protect consumers from anticompetitive consequences that arise from certain vertical agreements among firms in the chain of distribution – from producers to distributors to retailers. An agreement on resale price between firms in a vertical relationship is an example of a distributional practice that has a harmful effect on consumers and is considered *per se* illegal. The Commission investigates distributional restraints carefully to avoid challenging vertical agreements that may 3 thatof

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which can have the effect of driving competitors from a market through means other than vigorous competition on merits.

Nonmerger Enforcement Activities

Under the three nonmerger programs, the Commission opened 49 initial-phase investigations during fiscal year 1996. Five of these investigations were converted to full phase, along with two others that had been opened in earlier years.

The Commission accepted six consent agreements for public comment (with four of them made final during the year), finalized eight other consent agreements, and modified four others. The consent agreements accepted for public comment included:

- New Balance Athletic Shoe, Inc. (resale price maintenance on athletic shoes);
-

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- In *Harper & Row Publishers, Inc.*, the Commission dismissed complaints against six book publishers alleging violations of the Robinson-Patman Act involving various price and promotional practices.

In a fourth significant nonmerger matter, *Toys R Us*, the Commission issued an administrative complaint that will be litigated during fiscal year 1997.

On the policy front, the Commission took important steps in providing public guidance on competition in the fast-changing health care industry. In August, the Commission, jointly with the Department of Justice, issued the *1996 Statements of Antitrust Enforcement Policy in Health Care*. These revised statements emphasize that the same antitrust principles that govern other industries apply to health care providers and describe, based on the Commission's extensive experience in the area, how these basic principles are applied to the health care sector. The staff also issued five advisory opinions on proposed arrangements among health care providers.

CONSUMER PROTECTION MISSION

The goal of the Consumer Protection Mission is to maintain a well-functioning marketplace that allows consumers to make informed purchase choices. In today's increasingly complex marketplace, the Mission is developing new and creative strategies to ensure the free flow of current and understandable information to consumers.

Evolving technologies are radically changing the way consumers learn about, buy, and pay for goods and services. An array of new media has supplemented television and print advertising, once the standard for reaching consumers. The Internet, pay-per-call telephone services, and program-length television commercials ("infomercials") are among the new methods sellers are using to reach consumers. In addition, consumers are more sophisticated. Not too long ago, they were interested in only price and quality. Today they are concerned with the health implications of the food they buy, the environmental implications of

The Consumer Protection Mission uses three primary strategies to achieve its goal:

- Protecting consumers from fraud, deception, and unfair practices in three priority areas – health, safety, and financial well-being;
- Identifying impacts on consumers of globalization and new technologies to build institutional expertise in these areas and to adapt consumer protection principles to correct practices () Tj 4.a Tj -263.



It also administers federal laws requiring health warnings on tobacco products.

Health and safety claims – claims that consumers often cannot judge for themselves – are a primary focus of this Program. Consumer interest in health and nutrition is very high, and the market has responded by introducing “healthier” food product lines and nutritional supplements. The Program scrutinizes food advertisements for false and misleading low-calorie and low-fat claims. Marketers of dietary su

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screening initiative, which works with advertising and media trade associations, such as the Cable Television Advertising Bureau, to educate the media on the importance of preventing fraudulent advertising by careful screening. As part of this initiative, and in conjunction with law enforcement actions, the Program is alerting media members that have carried advertising alleged to be deceptive by the Commission.

Expanded commercial use of the Internet is having a dramatic impact on consumers. The benefits of the free flow of information, both to consumers and industry, are great. The proliferation of readily available personal information, however, could jeopardize personal privacy and facilitate fraud and deception. In seeking to understand these and other issues, the Program, working with staff of the Credit Practices Program, convened a workshop in fiscal year 1996 to allow interested parties to express their views on privacy issues and online protections for consumer privacy. A subsequent report summarized the participants' diverse views and described private-sector efforts to address concerns about information privacy online.

Recognizing that children are a special audience, the Commission plays a leadership role in children's advertising and marketing issues. The Program focuses on deceptive and unfair advertising aimed at children in traditional media and on the

In 1996, Congress passed comprehensive amendments to the Fair Credit Reporting Act (FCRA) that take effect in 1997. The amendments significantly expand coverage of the Act to those who furnish information to or obtain reports from consumer reporting agencies. The Program is responsible for educating consumers and businesses about the new rights and obligations established under this law. During the past year, the Program continued its enforcement of the current law, including litigation against one of the three major credit bureaus for its alleged violations of the FCRA by selling target marketing lists.

Credit identity fraud, where a criminal takes over a consumer's existing credit accounts or opens new credit accounts in the consumer's name, is a growing problem. The Program took the lead in this area by working with consumer and industry groups, including holding two workshops designed to promote consumer education and voluntary industry efforts at prevention and cure of this rapidly growing fraud.

Denial of credit access for reasons unrelated to creditworthiness continues to be a serious problem. The Equal Credit Opportunity Act, enforced by the Commission, requires lenders to judge individuals' creditworthiness by their financial condition and history, not by factors such as race, age, or national origin. The Program engages in enforcement activities designed to alert lenders subject to the Commission's jurisdiction that illegal lending discrimination is not tolerated.

The credit market breaks down when creditors fail to provide essential information or, worse, provide incorrect information. In its jurisdiction over millions of creditors, the Commission's role is to ensure that they provide accurate information, thereby allowing the marketplace to operate properly. The Truth-in-Lending and Consumer Leasing Acts require certain information about the total cost of the credit or lease to be placed in advertisements and given to consumers before transactions are consummated to allow for comparison shopping and fair competition among creditors. During fiscal year 1996, the Program, working with 23 state Attorneys General, concluded a major enforcement sweep of five major automobile manufacturers for their deceptive lease and credit advertisements. The proposed settlements, which became final in 1997, require the companies to provide clear, readable, and understandable cost information in their leases and, in two cases, credit advertisements. In addition, the Commission participated with the

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of orders and rules. This amount includes the largest civil penalty to date in a consumer protection matter – a major hearing aid manufacturer paid \$2.7 million to settle allegations of false and unsubstantiated claims for hearing aids. Other cases resulting in substantial penalties or disgorgement involved false low-fat claims for frozen yogurt, unsubstantiated low-cholesterol claims for eggs, misrepresentation of the performance of a toy, and unsubstantiated engine treatment claims.

The Program coordinated a Telemarketing Sales Rule sweep of office and cleaning supply fraud operations that targeted small businesses and not-for-profit organizations, such as churches, monasteries, and schools. The sweep encompassed 17 cases, 5 filed by the Commission and 12 brought by the U.S. Postal Inspection Service or state and local officials. Most of the targeted operations closed, and some paid substantial sums in consumer redress.

The Program has responsibility for the Commission's ongoing review of its standard for claims that products are "Made in USA." A key event in this review was a 1996 workshop that brought together industry representatives, labor union officials, consumer groups, state officials, and others to discuss consumer perception of "Made in USA" claims and how the movement toward a global economy should affect the Commission's standard.

A major project during fiscal year 1996 focused national attention on the issue of checkout scanner accuracy. The Program worked closely with the National Institute of Standards and Technology and the National Conference on Weights and Measures to train state and local officials and industry members in the use of inspection procedures designed to increase scanner accuracy. Price checks conducted in 300 stores in seven states did not suggest that federal enforcement actions were required, but did suggest the need for consumer and business education to focus attention on the issue. Following extensive discussions with government and industry officials, the Program worked with the Consumer and Business Education Office to create and distribute educational materials.

The Program plays a leading role in carrying out the Commission's commitment to reviewing all of its rules and guides, repealing those that are outdated or no longer necessary, and streamlining those that are retained. In fiscal year 1996, the Commission rescinded eight rules and two industry guides and revised an additional six rules and two guides. Since the initiation of the Commission's regulatory reform program in 1992, the

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Commission has rescinded 27 rules and guides and revised another 19. This total represents more than 50 percent of the rules and guides in effect in 1993.

In response to the North American Free Trade Agreement, the Commission also is seeking to revise its rules to harmonize with those of U.S. trading partners. The Program is working closely with government and industry groups striving to achieve harmonization. In fiscal year 1996, the Commission sought public comment on proposals to allow use of icons in lieu of words on care labels and to revise other textile labeling requirements in ways that will facilitate trade within ob2j 9.96 2m1o44 0 T 0.01a0 0 j 3.96 0 910.72rules and guidesTc

services), credit cards, electronic fund transfers, and demand drafts (bank transactions that deduct money from a consumer's checking account without a written instrument bearing the consumer's signature).

Fraudulent sale of franchises and of business and employment opportunities, often with the aid of telecommunications technology and electronic fund transfers, has become an area of special concern. These schemes often victimize consumers who invest severance pay, retirement savings, or all their assets in business opportunities that seem likely to pay off and provide economic security. Recent estimates suggest that tens of thousands of investors lose as much as \$500 million a year to franchise and business opportunity fraud.

In its continuing effort against this type of fraud, the Program launched "Project Buylines," a sweep against seven marketers of fraudulent business opportunities for 900-number lines. Investors are told all they have to do is advertise the pay-per-call programs recorded on the 900-number lines and take a portion of the revenues for themselves. This effort was a follow-up to the innovative and highly successful "Project

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in more than 100 TSR enforcement actions on the state and federal level, including 23 federal district court cases filed by the Commission and 7 filed by the U.S. Postal Inspection Service.

The Program also seeks to remedy consumer injury that occurs when sellers fail to provide important information to consumers. By enforcing the Funeral Rule, the Commission imposed sanctions on funeral providers who failed to give consumers information about choices and prices for all goods and services sold. A noteworthy development in Funeral Rule enforcement was the Commission's implementation, in conjunction with the National Funeral Directors' Association (NFDA), of an innovative industry training and certification program, the Funeral Rule Offenders Program (FROP), designed to bring identified noncomplying funeral homes into compliance without formal law enforcement action, thereby reducing the level of Commission resources needed to enforce the Rule.

FROP participants make a voluntary payment to the U.S. Treasury or the state in amounts lower than civil penalties might be assessed for the potential law violations identified and agree to enroll their personnel in NFDA's training program and submit to NFDA certification and business form review procedures. In fiscal year 1996, 26 funeral homes were offered FROP as an alternative to possible litigation. Twenty-three of the funeral homes accepted the offer and voluntarily ent

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79 defendants in 17 states. Consumer education materials were developed and released in combination with this major law enforcement effort.

As part of its effort to combat telemarketing fraud, the Commission maintains a Telemarketing Database developed with the National Association of Attorneys General (NAAG). This database captures information from the National Fraud Information Center (a project of the National Consumers' League), which receives about 8,000 inquiries a month from consumers who believe they may have been subjected to a deceptive telemarketing sales pitch. The NAAG-FTC Telemarketing Complaint System contains information from over 60,000 complaints and grows at the rate of over 11,000 new complaints each year. In fiscal year 1996, this system was used by over 100 law enforcement agencies, including the FBI, the U.S. Postal Inspection Service, the Department of Justice, and 44 state Attorneys General. The complaint system helps agencies determine enforcement priorities, allowing them to target particular types of fraud and/or specific geographic areas. It is instrumental in providing witnesses in cases that are part of the coordinated enforcement sweeps by federal, state, and local agencies.

The marketing of health care services is estimated at \$1 trillion annually; as much as \$100 billion may be attributable to fraud. Victims of health care fraud frequently lack information to evaluate deceptive advertisements and are often reluctant to challenge health care professionals because of this information gap. Deception in the marketing of these goods and services not only adversely affects consumers' pocketbooks, but also may endanger their health. Some consumers may be led to purchase goods and services that do not perform as advertised and delay treatments or procedures that may be far more effective. The Program targets false and unsubstantiated therapeutic and efficacy claims for health care goods and services, and works jointly with other federal, state, and local agencies to address deceptive claims. Education efforts are combined with law enforcement to assist consumers and provide guidance to marketers.

During the past year, the Program pursued numerous innovative remedies in the accomplishment of its mission. These included sending a joint Commission/FDA staff advisory to over 37,000 ophthalmologists regarding impermissible claims for laser eye surgery, working with the Department of Justice to repatriate \$330,000 in funds from a defendant's Bahamian bank for redress to U.S. telemarketing victims, holding a health care conference in Dallas

to promote

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Antitrust

In the antitrust area, economists participated in all investigations of alleged antitrust violations and in the presentation of cases in support of complaints. Economists also advised the Commission on all proposed antitrust actions and provided economic expertise for matters in litigation. These activities consumed the bulk of the Bureau's resources assigned to directly support the Commission's antitrust responsibilities.

The Bureau also maintains a small research program in support of the Commission's antitrust activities. During the year, the Bureau released two studies: (1) *The Salt Producers' Discount Practices Before and After the Robinson-Patman Act and the FTC's Challenge to Them: The Morton and International Salt Cases* and (2) *The Effectiveness of Collusion Under Antitrust Immunity: The Case of Liner Shipping Conferences*.

Ongoing antitrust-related studies included (1) an examination of the effects of Commission divestiture orders, (2) a study of the price and output effects of franchise transfers and mergers in the carbonated soft drink bottling industry, (3) a descriptive study of the

advertising on the consumption of fats and cholesterol by U.S. consumers and (2) the content of advertising for oils and margarines.

Consumer and Competition Advocacy

The interests of consumers are not always well represented in some legislative and regulatory forums. Consequently, laws or regulations are sometimes promulgated that harm consumers by restricting entry, limiting competition, chilling innovation, raising prices, or reducing the quality of goods and services. The goal of the Commission's advocacy activities is to limit such harm to consumers by informing appropriate governmental and self-regulatory bodies about the potential effects on consumers, both positive and negative, of proposed legislation, rules, or industry guides or codes. The advocacy program in the Bureau of Economics is the central source of planning, coordination, review, and information for the staff's work in this area. During fiscal year 1996, the Commission staff submitted 12 comments to federal agencies, such as the Federal Energy Regulatory Commission and the Federal Communications Commission, and various state agencies. Comment submissions covered subject areas such as electric utility mergers, economic claims about prescription drugs, allocation of video system capacity, and various occupational regulation issues, among others.

MANAGEMENT AND ADMINISTRATION

Budget and Finance

During fiscal year 1996, the Division of Budget and Finance negotiated a cross-servicing agreement with the Department of the Interior for Commission personnel and payroll processing systems to be provided by the Department of the Interior's Administrative Service Center in Denver, Colorado, and worked with the Commission's Division of Personnel to implement those systems. The Commission's contribution to the agreement included the design and implementation of the Department of the Interior's first fully automated time and attendance payroll reporting system.

The Division of Budget and Finance managed the Commission's financial services, such as maintaining a general ledger accounting system; ensuring that effective financial policies and procedures are developed and maintained to support mission operations and to take full advantage of available technologies; issuing accurate and timely financial reports to program offices, the Department of the Treasury,

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and the Office of Management and Budget; and providing oversight of services received from the Administrative Service Center. The Division also carried out Commission-wide management programs for audit follow-up and reviewed and reported on internal controls. The Division planned and carried out the fiscal year 1996 budget, supported the fiscal year 1997 budget request through Congress, and developed the fiscal year 1998 budget request.

Personnel

In fiscal year 1996, the Division of Personnel managed the Commission's human resources activities, which included such services as recruitment, position classification, employee relations, performance management, and labor relations. During the year, the Division of Personnel continued working with Bureau/Office Directors in filling several key senior positions. The Division also provided valuable support to the agency's Partnership Council in implementing recommendations for improving the role of secretaries and making changes to the Commission's performance management system. Specifically, the Division of Personnel coordinated an array of seminars and training sessions geared toward maximizing the effectiveness of the agency's secretarial resource. Staff from the Division also played a key role in facilitating the Commission's transition to changes in the performance management system. These efforts included sponsoring training to foster increased managerial feedback to employees.

Also during fiscal year 1996, the Division of Personnel began utilizing the Department of the Interior's Payroll Personnel System for all payroll personnel activities. Agency managers now have the capability to generate requests for personnel actions and time and attendance records electronically through an integrated payroll personnel system.

Procurement and General Services

In addition to providing the day-to-day administrative support to the Commission, the Division of Procurement and General Services completed several significant initiatives during fiscal year 1996. These accomplishments included major contract awards for the following:

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- Training and supporting Commission staff in the use of the infrastructure as effectively as possible,
- Working with program managers and staff to focus resources on the Commission's priority law enforcement and consumer/business education goals, and
- Coordinating and supporting a majority of the Commission's information retrieval and dissemination efforts.

New Organizational Structure

In order to more effectively meet program goals, ITM was structured into eight teams. The Chief Information Officer Team provides overall management and direction to the program, as well as administrative support in all areas. The Commission's Chief Information Officer is the leader of this team and of the ITM program. The other teams, which provide products and servi TD 0 Tres-44 C

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technology also provides the same type of service between individual regional offices.

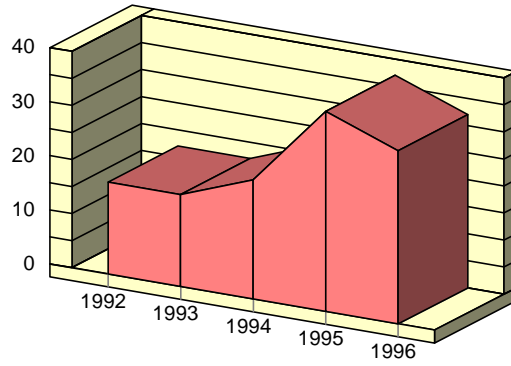
LANDOC Document Collection.—The collection of documents that are available to Commission staff through the automated document storage system, LANDOC, grew to over 27,000 documents by the end of fiscal year 1996. In addition to increasing the number of documents from various collections of historical documents, including important documents issued by the Commission, ITM implemented procedures to ensure that newly issued documents are added to LANDOC as they are created.

Internet Services.—The success of the

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is using on all major initiatives, proved successful. Both ITM and the Bureau agreed that the close working relationship that developed during the effort will help to

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Part II Consent Orders Issued

Appendix

Title	Number	Action Date	Type of Matter	Product/Service
Hughes Danbury Optical Systems, Inc.	C3652	04/30/96	Horizontal Merger	Deformable Mirrors
Illinois Tool Works Inc.	C3651	04/23/96	Horizontal Merger	Industrial Power Equipment
Johnson & Johnson	C3645	03/19/96	Horizontal Merger	Surgical and Medical Instruments
Koninklijke Ahold NV	C3687	09/30/96	Horizontal Merger	Grocery Stores
Litton Industries, Inc.	C3656	05/07/96	Vertical Merger	Systems Engineering
Local Health System, Inc.	C3618	10/03/95	Horizontal Merger	Inpatient Hospital Services
Lockheed Martin Corporation	C3685	09/18/96	Horizontal Merger	Guided Missiles and Space Vehicles
Loewen Group Inc., The Loewen Group International Inc., The	C3678 C3677	07/30/96 07/30/96	Horizontal Merger	Funeral Homes
Mustad International Group NV	C3624	10/30/95	Horizontal Merger	Rolled Horseshoe Nails
New Balance Athletic Shoe, Inc.	921 0050	09/10/96	Vertical Price Fixing	Athletic Footwear
Phillips Petroleum Company	C3634	12/28/95	Horizontal Merger	Natural Gas Transmission
Port Washington Real Estate Board, Inc.	C3625	11/17/95	Horizontal Restraint	Multiple Listing Services
Praxair Inc.	C3648	04/01/96	Horizontal Merger	Industrial Gases
Precision Moulding Company, Inc.	C3682	09/03/96	Horizontal Restraint	Art Frames
Raytheon Company	C3681	09/03/96	Horizontal Merger	Communications Equipment
RxCare of Tennessee, Inc.	C3664	06/10/96	Horizontal Price Fixing	Pharmacy Network
Santa Clara County Motor Car Dealers Association	C3630	12/13/95	Boycott	New and Used Car Dealerships
Service Corporation International	C3646	03/21/96	Horizontal Merger	Funeral Homes and Cemeteries
Silicon Graphics, Inc.	C3626	11/14/95	Vertical Merger	Entertainment Graphics Software

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Title	Number	Action Date	Type of Matter	Product/Service
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Federal Trade Commission

Devro International plc; Devro, Inc.

Devro agreed to settle charges that its acquisition of Teepak International, Inc., would reduce competition by combining the nation's two top producers of collagen sausage casings. Under terms of the consent order designed to replace competition, Devro is required to divest the assets it uses to produce collagen sausage casings for sale in the United States and Canada within three months. The Commission approved the sale of the assets to Nitta Gelatin, Inc., of Japan.

*Federal News Service Group, Inc.; Reuters America, Inc.;
Cortes W. Randell*

Federal News Service Group, its president, Cortes W. Randell, and Reuters agreed to settle charges that they entered into market allocation agreements that ended competition between the two largest U.S. sellers of fast-turnaround verbatim news transcripts. (Common)

pharmaceutical company and substantially reduce competition for four drugs: (1) diltiazem, a hypertension and cardiac drug, (2) drugs

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Mustad International Group NV; Mustad Connecticut, Inc.

Mustad agreed to settle charges that through the acquisitions of Capewell Manufacturing Company, Cooper Horseshoe Nail Co., Ltd., Emcoclavos S.A., and Sterward Engineering Company, Ltd., it gained an illegal monopoly in the sale of rolled horseshoe nails in the United States. According to the complaint issued with the consent order, after the acquisitions, Mustad raised prices as much as 50 to 75 percent as a result of its market position. The order, designed to re-establish a viable competitor in the United States, requires Mustad to divest specified assets relating to the horseshoe nail-making business to a Commission-approved acquirer.

New Balance Athletic Shoe, Inc.

New Balance agreed to settle charges that it fixed and controlled the resale prices of its shoes in an effort to raise retail prices for its athletic footwear. According to the complaint issued with the consent order, New Balance entered into pricing agreements with some of its retailers to raise prices, to maintain certain price levels, and to discontinue sales of New Balance products at discounted prices. The complaint further alleged that New Balance threatened to terminate shipments of its products, among other things, whenever a retailer refused to enter into a pricing agreement. The provisions of the consent order prohibit the company from engaging in any of the alleged pricing practices set out in the complaint.

Phillips Petroleum Company; Enron Corporation

Phillips and Enron agreed to settle charges that Phillips' proposed acquisition of certain natural gas pipeline systems owned by Enron would eliminate competition for natural gas transportation in the Texas and Oklahoma Panhandle region. The final consent order requires Phillips to modify the purchase agreement to exclude 830 specified miles of pipe and related gas-gathering assets of Enron within the Panhandle. The order also requires Phillips and Enron, for ten years, to notify the Commission before acquiring or selling certain pipeline assets in the region.

Port Washington Real Estate Board, Inc.

A consent order settled charges that the Port Washington Real Estate Board of Port Washington, New York, injured consumers by unreasonably restraining competition among real estate brokers and homeowners through its rules governing membership, advertising, and listings of residential real estate. The order prohibits the Board from a variety of practices that impose restrictions on brokers and property owners in listing and selling real estate in the area.

Praxair Inc.

Praxair, the largest U.S. supplier of industrial gases, agreed to divest four gas production plants to settle charges that its acquisition of CBI Industries, Inc., would increase the likelihood of collusion and raise prices for industrial atmospheric gases (nitrogen, oxygen, and argon) in northern and southern California, eastern Connecticut, western Wisconsin, and southern Minnesota. The consent order requires Praxair to divest CBI's atmospheric gas production facilities in Vacaville and Irwindale, California; Bozrah, Connecticut; and Madison, Wisconsin.

Precision Moulding Company, Inc.

Precision Moulding agreed to settle charges that it attempted to fix prices in the market for stretcher bars used to construct frames for artists' canvases. The complaint issued with the consent order alleged that representatives of Precision Moulding invited a new competitor in the industry to raise its prices – suggesting that the competitor's prices were too low. The complaint also alleged that the invitation, if accepted, would constitute an agreement to restrain trade in violation of the federal antitrust laws. The consent order prohibits Precision Moulding from engaging in pricing practices that induce competitors to conspire to fix, raise, or maintain prices.

Raytheon Company

A consent order settled charges that Raytheon's acquisition of Chrysler Technologies Holding, Inc., reduced competition for the U.S. Navy's future procurement of the Submarine High Data Rate (HDR) satellite communications system for use in Navy submarines. According to the complaint, Raytheon, through its Electronic Systems

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Division, and GTE Corporation submitted competing proposals to develop the Submarine HDR program. Chrysler Technologies, as a second-tier subcontractor to GTE, supplies antenna/terminal controls, a component of the submarine HDR system. The merger of the two firms would give Raytheon access to competitively sensitive information concerning GTE's overall proposal. The consent order requires Raytheon to erect an information "firewall" to prohibit the exchange of sensitive information concerning the Submarine HDR system prior to the completion of the competitive procurement.

RxCare of Tennessee, Inc.; Tennessee Pharmacists Association

A consent order settled charges that RxCare and Tennessee Pharmacists restricted pharmacy price competition through the use of a "most favored nation"

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national to divest seven properties in Amarillo, Texas, and Brevard and Lee Counties, Florida.

Silicon Graphics, Inc.

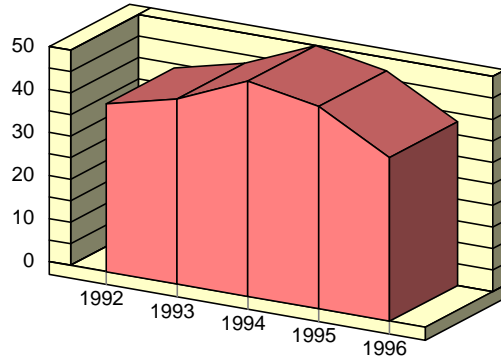
Silicon Graphics agreed to settle charges that its acquisition of Alias Research, Inc., and Wavefront Technologies, Inc., two of the world's three leading entertainment graphics software fir

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Upjohn Company, The; Pharmacia Aktiebolag

A consent order settled antitrust concerns stemming from the \$13.9 billion merger of Upjohn Company and Pharmacia Aktiebolag. The order, designed to preserve competition in the research and development of drugs used in the treatment of colorectal cancer, requires the divestiture of Pharmacia's topoisomerase I inhibitors to a Commission-approved buyer.

**PART II CONSENT ORDERS ISSUED
CONSUMER PROTECTION MISSION**



CONSUMER PROTECTION MISSION (SUMMARY)

Title	Number	Action Date	TT	

Federal Trade Commission

Title	Number	Action Date	Type of Matter	Product/Service

Part II Consent Orders Issued

Appendix

Title	Number	Action Date	Type of Matter	Product/Service
Mrs. Fields Cookies, Inc.	C3657	05/13/96	Misrepresented Health/ Nutritional Claims	Low-Fat Cookies and Baked Goods
N.W. Ayer & Son, Inc.	C3660	05/31/96	Deceptive Health/ Nutritional Claims	Advertising for Eggland's Best Eggs
NBDC Credit Resource Publishing (Rick A. Rahim, d/b/a)	C3671	06/12/96	Deceptive Advertising of Credit Rights and Remedies	Internet Credit Repair Services
NordicTrack, Inc.	C3675	06/17/96	Unsubstantiated Weight- Loss/Maintenance Claims	Exercise Equipment
Safe Brands Corporation	C3647	03/26/96	Unsubstantiated Safety/ Environmental Claims	Automobile Antifreeze
Simplex Services (Martha Clark, d/b/a)	C3667	06/10/96	Deceptive Advertising of Credit Rights/Remedies	Internet Credit Repair Services
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06/10/96	06/10/96			

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of the consent order, Amoco Oil will not make any claim about performance or environmental benefits for any of its gasolines without first having scientific evidence to back the claim up.

Azrak-Hamway International, Inc.; Starwood Advertising, Inc.;

selling the products in 1992. The consent order prohibits the company from making similar misleading claims for any of its cleaning products. The order also requires Benckiser, if it says it donates some portion of its revenue to an organization, to clearly and prominently disclose the method of determining the amount of the donation.

Blenheim Expositions, Inc.

Blenheim Expositions, a company that produces franchise trade shows and expositions, agreed to settle Commission allegations that it misrepresented the results of a Gallup Poll featuring franchise success and earning rates, in advertisements promoting the International Franchise Association Expo. The consent order prohibits Blenheim from misrepresenting survey results or making unsubstantiated earnings and success rate claims in promoting franchi

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Cancer Treatment Centers of America, Inc.;
Memorial Medical Center and Cancer Institute, Inc.;
Midwestern Regional Medical Center, Inc.

Cancer Treatment Centers and two affiliated hospitals agreed to settle Commission allegations that they made false and unsubstantiated claims in advertising and promoting their cancer treatments. The respondents also allegedly failed to substantiate a claim that their five-year survivorship rate ranked among the highest recorded for cancer patients. The consent order requires the respondents to have competent and reliable evidence to substantiate future claims regarding the success or efficacy of their cancer treatments and to ensure that testimonials they use do not misrepresent the typical experience of their patients.

Dannon Company, Inc., The

Dannon agreed to settle allegations that it made false or misleading nutritional claims for its Pure Indulgence line of frozen yogurt, by representing that some flavors of the yogurt were low in fat and calories when they were not. The consent order prohibits Dannon from misrepresenting the existence or amount of fat, saturated fat, cholesterol, or calories in any frozen food product in the future. In addition, the company is required to pay \$150,000 in disgorgement to the U.S. Treasury.

Diet Workshop, Inc., The; Diet Workshop of Boston, Inc., The

The Diet Workshop, a franchisor of weight-loss plans and products, and the Diet Workshop of Boston, the owner of its company-operated territories, settled allegations that they made unsubstantiated weight-loss and weight-maintenance claims and used consumer testimonials deceptively. The consent order prohibits the respondents from misrepresenting the performance of any weight-loss program and requires them to have reliable scientific evidence to substantiate claims about achieving or maintaining weight loss, or the rate at which the loss can be expected to occur. The order also requires disclosure statements in certain advertising and bars the misleading use of testimonials.

DMC Publishing Group (Timothy R. Bean, d/b/a)

Timothy Bean, doing business as DMC Publishing Group, settled allegations of deceptive marketing on the Internet. The Commission alleged that Bean made false earnings claims in advertising for his program to operate a home-based publishing and printing business. The consent order requires him to have evidence to back up earnings and sales claims for any business opportunity he markets.

of eggs or products containing egg yolks and requires scientific substantiation for health claims about such products.

J. Walter Thompson USA, Inc.

The Commission approved a consent order with J. Walter Thompson, settling allegations that the company engaged in deceptive practices in connection with advertising it created for the Jenny Craig Weight Loss Program. The Commission alleged that the company lacked substantiation for advertising claims that nine out of ten Jenny Craig clients would recommend the program to a friend. Under the order, J. Walter Thompson must have evidence to substantiate claims that any weight-loss program is endorsed by any person, group, or other entity, and the company is prohibited from misrepresenting the existence or results of any study or survey in connection with any diet-related food, weight-loss or fitness programs or equipment.

Johnson & Collins Research, Inc.; Gregor A. von Ehrenfels

The Commission gave final approval to a consent order settling allegations that Johnson & Collins Research and its owner used deceptive advertising of purported weight-loss and body-shaping products in magazines directed toward teenage girls. The products consisted primarily of booklets containing advice on dieting and exercise. The order requires the respondents to clearly disclose that what they are selling are booklets or pamphlets, prohibits them from making unsubstantiated representations regarding the effects of any weight-loss program, and requires them to disclose that weight loss requires dieting, increased exercise, or both.

Johnson & Johnson Consumer Products, Inc.

The Commission approved a consent order with Johnson & Johnson Consumer Products settling allegations that its advertising campaign for a spermicidal lubricant contained misleading and unsubstantiated claims about condom failure, touting the lubricant as “condom insurance” to protect against unwanted pregnancy and sexually transmitted diseases. Under the order, Johnson & Johnson Consumer Products, its parent corporation, and all other Johnson & Johnson subsidiaries are prohibited from misrepresenting the results of any study concerning over-the-counter products relating to human

claims and are required to put a statement on Sierra antifreeze containers cautioning consumers that it may be harmful if swallowed.

Simplex Services (Martha Clark, d/b/a)

Martha Clark, doing business as Simplex Services, settled allegations that she used deceptive advertising on the Internet in connection with her credit repair program. The Commission alleged that Clark made false claims in advertising the Guaranteed Credit Doctor program by stating that consumers could remove negative items from their credit reports, even if the information was accurate and up-to-date. The consent order prohibits the respondent from misrepresenting any right or remedy consumers have under the Fair Credit Reporting Act, including their ability to remove adverse information from a credit report.

Starr Communications (Sherman G. Smith, d/b/a)

Sherman Smith, doing business as Starr Communications, agreed to settle allegations that he made false and unsubstantiated earnings claims in his Internet advertising for the “U.S. Government Tracer Business Program,” which purportedly would show consumers how to make money tracking down people due refunds after they had paid off their mortgages. The consent order requires Smith to have substantiation for profits, earnings, or sales claims for any business opportunity he markets.

*Third Option Laboratories, Inc.; Susan McWilliams Bolton;
Danny Bishop McWilliams; William J. McWilliams*

The Commission approved a consent order with Third Option and its principals, marketers of a fruit beverage, “Jogging in a Jug,” settling allegations that they made numerous false health claims for the drink. The order prohibits the respondents from making unsubstantiated claims about this beverage or any similar product and requires them to have competent and reliable scientific evidence to support any representation they make about the performance, safety, efficacy, or benefits of any food, dietary supplement, or drug they market in the future. In addition, the respondents are required to notify certain previous purchasers, advising them of the Com-

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mission's allegations, and to pay \$480,000, which will be used for refunds to consumers or disgorged to the U.S. Treasury.

WLAR Co.; Michael K. Craig

The Commission accepted a final consent order with WLAR Co. and its owner regarding the alleged deceptive advertising of weight-loss and body-shaping booklets in magazine advertising directed at teenage girls. The order prohibits false or unsubstantiated weight-loss-related a

**PART III ADMINISTRATIVE COMPLAINTS
COMPETITION MISSION**

COMPETITION MISSION (SUMMARY)

Title	Number	Action Date	Type of Matter	Product/Service
Toys R Us, Inc.	D9278	05/22/96	Horizontal Price Fixing	Children's Games and Toys

COMPETITION MISSION (DETAIL) *Toys R Us, Inc.*

The Commission issued an administrative complaint charging that Toys R Us, the nation's largest toy retailer, used its market power to keep toy prices higher and reduce toy outlet choices for consumers. The complaint alleged that Toys R Us extracted agreements from toy manufacturers to (1) stop selling certain toys to warehouse clubs, (2) put toys into more expensive combination packages, and (3) tell Toys R Us that they were not to be sold to warehouse clubs.

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*Quaker State-Slick 50, Inc.; Slick 50 Corp.;
Slick 50 Management, Inc.; Slick 50 Products Corp.*

The Commission issued an administrative complaint alleging that Quaker State and three subsidiaries made false and unsubstantiated claims in advertising for Slick 50, the best selling automobile engine treatment in the United States. The advertisements claimed that Slick 50 improved engine performance, reduced engine wear, lengthened engine life, and provided a host of other benefits compared with motor oil alone. The Commission is seeking an order to prohibit future misrepresentations and to require that claims be backed by competent and reliable evidence.

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**PART III CONSENT ORDERS ISSUED
CONSUMER PROTECTION MISSION**

CONSUMER PROTECTION MISSION (SUMMARY)

Title	Number	Action Date	Type of Matter	Product/Service
Home Shopping Network, Inc.	D9272	09/26/96	Unsubstantiated Health Claims	Vitamin and Stop-Smoking Sprays
National Dietary Research, Inc.	D9263	11/07/95	Unsubstantiated Health Claims	Weight-Loss Products and Programs

CONSUMER PROTECTION MISSION (DETAIL) *Home Shopping Network, Inc.; Home Shopping Club, Inc.; HSN Lifeway Health Products, Inc.*

Home Shopping Network and two of its subsidiaries settled allegations of deceptive advertising for four mouth sprays – three vitamin sprays and a stop-smoking spray. The sprays were promoted and sold via interactive television shopping programs. According to the Commission, the respondents made a number of health-related claims for the sprays without evidence to support them.

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FINAL ORDERS COMPETITION MISSION

COMPETITION MISSION (SUMMARY)

Title	Number	Action Date	Type of Matter	Product/Service
California Dental Association	D9259	03/26/96	Horizontal Restraints	Dental Services
Harper & Row Publishers, Inc.	D9217	09/10/96	Distributional Arrangements	Book Publishing
Hearst Corporation, The	D9219	09/10/96		
Macmillan, Inc.	D9218	09/10/96		
Putnam Berkley Group, Inc., The	D9220	09/10/96		
Random House, Inc.	D9222	09/10/96		
Simon & Schuster, Inc.	D9221	09/10/96		

COMPETITION MISSION *California Dental Association* **(DETAIL)**

A Commission decision upheld an administrative complaint that alleged that the California Dental Association interfered with its members' use of truthful and nondeceptive advertising to promote the price, quality, and availability of dental services. The order, which upholds the 1995 initial decision of an Administrative Law Judge, prohibits such practices in the future and requires the Association to update its Code of Ethics to remove any language that does not agree with the provisions of the order. The order, however, does not prohibit the Association from enacting ethical guidelines to regulate false and misleading advertising of dental services or members' solicitation of patients vulnerable to undue influence.

Harper & Row Publishers, Inc.; Hearst Corporation, The; Macmillan, Inc.; Putnam Berkley Group, Inc., The; Random House, Inc.; Simon & Schuster, Inc.

The Commission dismissed separate administrative complaints against six book publishers, ruling that changes in the book distribution industry have

engaging in discriminatory pricing practices and services in the sale of trade books and mass-market paperbacks.

**FINAL ORDERS
CONSUMER PROTECTION MISSION**

CONSUMER PROTECTION MISSION (SUMMARY)

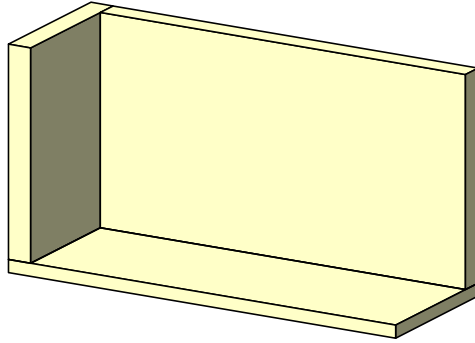
Title	Number	Action Date	Type of Matter	Product/Service
Dillard Department Stores, Inc.	D9269	03/07/96	Truth-in-Lending Regulation Z	Credit Card Use in Retail Stores

CONSUMER PROTECTION MISSION (DETAIL)

Dillard Department Stores, Inc.

The Commission dismissed its complaint against Dillard, ending a case in which it had alleged that Dillard made it unreasonably difficult for consumers to remove unauthorized charges from their charge card bills. The Commission dismissed the complaint in light of a standard recently issued by the Federal Reserve Board, which deals with investigating claims of unauthorized credit card use. The Commission stated that because the new standard appears to differ from the standard reflected in the complaint, it would not be in the public interest to continue the case.

Federal Trade Commission



Complaints Filed in District Court

Appendix

Title	Number	Action Date	Type of Matter	Product/Service
Oasis Southwest, Inc.	X960079	07/15/96	Telemarketing Sales Rule	Prize Promotion – “Say No to Drugs” Materials
Omega Promotions, Inc.	X960118	06/14/96	Job Placement Fraud	Employment Services
O’Neill, Incorporated	X960100	09/27/96	Order Violation	Wetsuits
Pioneer Communications of Nevada, Inc.	X960043	03/01/96	Franchise Rule	900-Number Business Venture
Publishers Award Bureau	X960098	07/15/96	Telemarketing Sales Rule	Magazine Subscription Prize Promotion
Silver State Western Publishing, Inc., d/b/a Prime Time Marketing	X960053	05/15/96	Telemarketing Sales Rule	Prize Promotion – “Say No to Drugs” Materials
Sparta Chem, Inc.	X960071	07/01/96	Telemarketing Sales Rule	Office Supplies
Student Aid Incorporated	X960115	08/27/96	Scholarship Fraud	Scholarship Search Services/Finance
Student Assistance Services, Inc.	X960120	08/27/96	Scholarship Fraud	Scholarship Search Services/Finance
Telecommunications Protection Agency, Inc.	X960085	07/17/96	Telemarketing Sales Rule	Prize Promotion “Recovery Room”
Tower Cleaning Systems, Inc.	X960122	08/23/96	Franchise Rule	Commercial Janitorial Cleaning Franchises
Universal Credit Corporation (Gabrielle Ellis and Mark Thomas Ellis, d/b/a)	X960048	02/07/96	Misrepresentations and Deceptive Advertising	Credit Repair
USA Channel Systems, Inc.	X960017	01/23/96	Investment Fraud	Paging License Services
USA Credit Services, Inc.	X960068	04/10/96	Telemarketing Sales Rule	Credit Repair
Worldwide Wallcoverings & Blinds, Inc.	X960096	09/23/96	Mail/Telephone Order Merchandise Rule	Wallpaper and Window Coverings

Federal Trade Commission

CONSUMER PROTECTION MISSION (DETAIL) *Ad-Com International, Inc.; Anthony Catalano; Lorraine Corrales*

The Commission filed a complaint alleging that Ad-Com and corporate officers Anthony Catalano and Lorraine Corrales violated the Franchise Rule by failing to give investors required pre-purchase information. The defendants sold business ventures consisting of investments in pay-per-call information or entertainment programs that consumers access by calling 900-numbers. The Commission is seeking a court order that would include consumer redress or disgorgement of illegal profits to the U.S. Treasury and that would bar the defendants from similar deceptive practices in the future.

American Business Supplies, Inc.; Interstate Office Systems, Inc.; Nationwide Office Products, Inc.; Michael Chierico

The Commission filed a complaint alleging that the defendants, office supply telemarketers, violated the Telemarketing Sales Rule by telephoning small businesses and nonprofit organizations, using deceptive means to get the name and address of a person to list on invoices, and sending unordered office supplies and invoices charging inflated prices. When victims of the scheme complained or tried to return the goods, they were allegedly harassed or charged substantial “restocking” or shipping fees. The Commission is seeking permanent injunctive relief and consumer redress.

American Exchange Group, Inc.; Todd Bishop; William S. Kelly

The Commission filed a complaint alleging that American Exchange, a telemarketer, falsely promised consumers that they would receive valuable awards or gifts if they purchased magazine subscriptions or other items and falsely told them that the awards would be worth more than the cost of the purchases. The complaint also alleged that the defendants violated the Telemarketing Sales Rule by failing to disclose that no purchase was required to enter the promotion or to win a prize. The Commission is asking the court for a permanent injunction and consumer redress.

*American Inventors Corporation (AIC);
American Institute for Research and Development, Inc. (AIRD);
Ronald Boulerice; John Hoime; John L. Samson*

The Commission filed a complaint alleging that the defendants ran a deceptive invention promotion scheme that bilked consumers nationwide out of thousands of dollars each over a 20-year span. The complaint alleged that the firms and their principal officers made a variety of false claims and failed to disclose key information in the course of inducing consumers to purchase patenting and marketing services. A federal district court issued a preliminary injunction, which requires the defendants to make certain disclosures to their customers as to success rates and earnings, continues a freeze on the defendants' assets, prohibits them from making misrepresentations, and orders them not to destroy documents, pending the outcome of a trial.

*Amstar Finance Corporation; Amstar Investment Corporation;
Bibekanand Satpathy*

The Commission filed a complaint alleging that the defendants used deceptive credit practices in offering advance-fee loans. The defendants offer market brokerage services for business loans and venture capital to consumers for advance fees averaging \$3,000. The Commission is seeking a permanent injunction and consumer redress.

Bell Connections, Inc.;
Michael Berman (d/b/a Discount Filing Services);
Donald Lee Dayer; Jimmie Justus; Erwin Allen Strauss

The Commission is seeking a permanent injunction for four individuals and two related companies that offered application preparation services for paging licenses available through the Federal Communications Commission (FCC), which regulates the radio frequencies used by pagers. According to the Commission complaint, the defendants charged

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FCC such as engineering studies. FCC regulations prohibit applicants from obtaining licenses for profitable resale.

Best Marketing, Inc.; Edward H. Hexter (a/k/a David D. Best)

The Commission filed a complaint alleging that Best Marketing and its president/director deceptively telemarketed to small businesses, telling them that they would win a premium if they ordered certain speciality items and representing that the premiums were worth more than the cost of the orders. In fact, the complaint alleged, the prizes the businesses received were worth less than what they paid for the purchases; in addition, the defendants failed to disclose that no prizes were available. (prizes)

defendants from similar schemes and requiring them to give refunds to their customers.

*Career Information Services, Inc.; CIS Associates, Inc.;
William Phillips; David Lee Smith*

The Commission obtained a court order freezing more than \$2 million in corporate and individual assets pursuant to a preliminary injunction against Career Information Services, its successor CIS Associates, and two corporate officers. The Commission complaint alleged that the defendants ran a deceptive job services scheme, which included misleading classified ads and nondisclosure of charges for 900-number telephone calls. The injunction prohibits the defendants from making false or misleading statements in connection with providing employment advisory services and requires them to disclose the cost of any pay-per-call service they offer, as required by the 900-Number Rule. The Commission is seeking a permanent injunction and consumer redress.

*Careers, Inc. (d/b/a Career Marketing Services, Inc., Jobtech,
Professional Model and Talent, Inc., and United Careers, Inc.);
Daniel Theyo S., Incino 0.008 3 4.016 Tc 0 Tw 2Car*

Federal Trade Commission

scholarship search services. According to the complaint, the defendant supplied lists of unsuitable or expired scholarships or no lists at all. The Commission obtained a temporary restraining order and is seeking a court order permanently barring the defendant from similar schemes and requiring him to give refunds to his customers.

College Assistance Services, Inc.; Conni Canella; Linda Love

The Commission filed a complaint alleging that the defendants falsely represented themselves as a scholarship clearinghouse and charged an upfront fee, guaranteeing that students would receive scholarships worth at least \$1,000. According to the complaint, the defendants supplied a list of college aid sources that included contests, loans, and programs with expired deadlines. In addition, the defendants did not give refunds unless students complied with certain conditions. The Commission obtained a temporary restraining order and is seeking a permanent injunction and consumer redress.

*Commercial Electrical Supply, Inc.; Michael C. Spence
(d/b/a American Industrial Supplies, Commercial Distributors,
Crown Electrical Supply, and Kemtech Industries)*

The Commission filed a complaint alleging that Commercial Electrical and Michael Spence (doing business under a number of names) violated the Telemarketing Sales Rule. According to the complaint, the defendants telephoned small businesses and nonprofit organizations and then sent unordered supplies, followed by invoices charging inflated prices. When victims of the scheme complained, they were allegedly harassed, and when they tried to return the goods, they were charged substantial “restocking” or shipping fees. The Commission obtained a temporary restraining order and an asset freeze. The Commission is seeking permanent injunctive relief and consumer redress.

Direct Link, Inc.; Suzanne Bannister

The Commission filed a complaint alleging that Direct Link and its president engaged in the fraudulent marketing of employment services. According to the complaint, the defendants falsely advertised available jobs and charged consumers upfront fees, but few if any consumers received the job placement assistance promised.

The Commission is seeking a court order permanently barring the challenged practices and ordering the defen

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value. The Commission is seeking permanent injunctive relief and consumer redress or disgorgement.

Falcon Crest Communications, Inc.;
Republic Communications Corp.; Joseph Caridi; Joel H. Cohen;
Nicholas DeRico (a/k/a Nicholas Vasti); Jordan Drew;
Gary Paperman (a/k/a Gary Perry)

A federal district court temporarily halted the deceptive sales practices and froze the assets of Falcon Crest, its principals and salesmen, for selling bogus brokerage services to consumers holding federal paging and mobile radio licenses. According to the Commission complaint, the defendants represented themselves to clients as experienced and highly successful license brokers and char

Complaints Filed in District Court

Federal Trade Commission

*Infinity Multimedia, Inc.; Quality Marketing Associates, Inc.;
William B. Chappie (a/k/a William Bruno Chapple,
Chappie Czaplewski, William Brono Czaplewski, Ken Olson,
and Bill Stack);
Joseph A. Wentz*

The Commission filed a complaint against two companies and two individuals, alleging that they made false earnings claims and used other deceptive practices in selling their prepackaged distributorships, in violation of the Franchise Rule. The Commission subsequently negotiated an agreement that includes consumer redress with three of the four defendants, who marketed CD-ROM display rack businesses. The allegations against the individual defendant Chappie are still pending. The Commission took over the defendants' World Wide Web page to provide information about the case to consumers who access the page.

*Innovative Telemedia, Inc.;
Frederick O. Buckley (a/k/a Westy Monroe)*

The Commission filed a complaint alleging that Innovative Telemedia and its officer made false earnings claims about the businesses they sold and failed to pay investors the agreed-on portion of revenues. The business ventures consisted of investments in pay-per-call information or entertainment programs that consumers access by calling 900-numbers. The Commission won a temporary restraining order and is seeking a court order that would include consumer redress or disgorgement of illegal profits to the U.S. Treasury and that would bar the defendants from similar deceptive practices in the future.

*Intelinet Data Services; Stratified Advertising and Marketing, Inc.;
Patrick Donaghy; Thomas F. Frontera; Robin L. Murphy*

The Commission filed a complaint alleging that Intelinet, also doing business as Stratified, and three company officers engaged in the fraudulent marketing of employment services. According to the complaint, the defendants falsely advertised available government jobs and charged consumers upfront fees, but few if any consumers received the job placement assistance promised. The Commission is

seeking a court order permanently barring the challenged practices and ordering the defendants to pay redress to injured consumers.

J.C. Penney

The Commission filed a settlement with J.C. Penney, one of the largest retail store chains in the country, that requires payment of a \$225,000 civil penalty to settle allegations

Federal Trade Commission

Linc II, Inc.; Joel Ancelowitz (a/k/a Jim Manti); Betty Busler

The Commission filed a complaint alleging that Linc II and two individuals ran a fraudulent job placement service. According to the allegations, the defendants solicited consumers through advertisements in newspapers and falsely claimed that they had access to a nationwide “hidden” job market and could obtain job interviews for clients, but few if any clients received job listings, interviews, or jobs themselves. In fact, the complaint said that the clients did not even receive rejection slips from potential employers, leaving them uncertain as to whether the defendants did anything to market their job skills. The Commission is seeking a permanent injunction.

Marketing Response Group, Inc.;
Marketing Response Group and Laser Company, Inc.;
Palm Harbor Holdings, Inc.; Pete-Nik Holdings, Inc.;
Service Bureau International, Inc.;
William S. Kilichowski; Peter J. Porcelli, Jr.

The Commission filed a complaint against Marketing Response and its officers and affiliates for allegedly acting with numerous telemarketers nationwide to defraud consumers with direct-mail promotions that falsely promised quick land sales, guaranteed awards, and free vacations. According to the complaint, Marketing Response devised the promotions, created the standard mail pieces, selected the mailing lists, and printed, addressed, and mailed the deceptive solicitations on behalf of its client telemarketers. The Commission is seeking injunctive relief and funds for consumer redress.

Metro Data, Inc. (a/k/a Metro Dade);
Dennis R. Bell; Marilyn Naylor Koblasz; Cassandra Stone

The Commission filed a complaint against Metro, its president, and two other principals, alleging that they engaged in the fraudulent marketing of employment services. According to the Commission, the defendants charwith they fraud2383 .28 0 TD 0 Tc ()6 0 TD D -0.012 Tnc

Michael P. McGowan (a/k/a Michael McGovern, d/b/a Industrial Chemical, Inc., Med-Amna First Aide, Med-Amna First Aide Care, National Safety, National Safety Supply, and National Safety & Supply); Amna Medical Products Corp. (d/b/a Amna Medical, Med-Amna, Med-Amna First Aide, and Med-Amna First Aide Care); Industrial Chemical Corporation (d/b/a Industrial Chemical, Inc.)

The Commission filed a complaint alleging that the defendants, office supply telemarketers, violated the Telemarketing Sales Rule by sending unordered supplies to small businesses and nonprofit organizations, followed by invoices charging inflated prices. When victims complained or tried to return the goods, they were allegedly harassed and charged substantial “restocking” or shipping fees. The Commission is seeking a permanent injunction and consumer redress.

Micom Corporation; Joseph M. Viggiano; Lawrence Williams

The Commission filed a complaint alleging that Micom and two principals offered deceptive application services for specialized mobile radio and paging licenses issued by the Federal Communica-

promotion. The complaint alleged that Oasis Southwest promised consumers that they would receive an award if they purchased “Say No to Drugs” paraphernalia and that the award would be worth more than the purchase cost. However, the awards consumers received, if any, were allegedly not worth more than what the consumers paid. In addition, the complaint alleged that the defendants violated the Telemarketing Sales Rule by failing to disclose that no purchase was required to enter the promotion or to win a prize. The Commission is seeking a permanent injunction and consumer redress.

Omega Promotions, Inc.; Regency Services, Inc.;
Richard Devon Grant; Lisa Phillips (a/k/a Lisa Warnock Grant,
Lisa Marie Warnock, and Lisa Phillips Warnock);
Michael Warnock

The Commission filed a complaint alleging that Omega, Regency, and their corporate officers engaged in the fraudulent telemarketing of employment services. According to the complaint, the defendants conducted multiple operations promoting job openings, charging advance fees, and debiting consumers’ bank accounts without authorization. The Commission is seeking a court order permanently barring the challenged practices and ordering the defendants to pay redress to injured consumers.

O’Neill, Incorporated to

The Commission filed a complaint and a consent decree against O’Neill, the

Federal Trade Commission

Pioneer Communications of Nevada, Inc.;
Glen E. Burke; Mike Luther

The Commission filed a complaint alleging that Pioneer and its officers violated the Franchise Rule by failing to give investors required pre-purchase information. The defendants sold business ventures consisting of investments in pay-per-call information or entertainment programs that consumers access by calling 900-numbers. The Commission is seeking a court order that would include consumer redress or disgorgement of illegal profits to the U.S. Treasury and that would bar the defendants from similar deceptive practices in the future.

Publishers Award Bureau;
Marc Duboise; Gerald E. LaFrance; Kenneth E. Nelson

The Commission filed a complaint alleging that Publishers Award Bureau sends solicitations to consumers telling them that they are “guaranteed to win” seemingly valuable prizes; however, when consumers call to claim their prizes, they are told they must pay several hundred dollars for magazine subscriptions to be eligible. In addition, according to the complaint, the prizes actually won are of little value. The complaint also alleged that the company violated the Telemarketing Sales Rule by failing to disclose that no purchase was required to enter the promotion or to win a prize. The Commission is seeking a permanent injunction and consumer redress.

*Silver State Western Publishing, Inc. (d/b/a Prime Time Marketing
and Prime Time Publishing);*
John A. Pieri

The Commission filed a complaint alleging that Silver State, doing business as Prime Time, and principal John Pieri violated the Telemarketing Sales Rule in connection with a “Say No to Drugs” program. The complaint alleged that the defendants enticed consumers into purchasing materials or magazine subscriptions by telling them they would receive “extremely valuable” prizes or awards in exchange for their purchases, which was a misrepresentation. The court ordered a temporary halt to the allegedly deceptive prize-promotion solicitation scheme. The Commission is seeking permanent injunctive relief and redress for injured consumers.

Sparta Chem, Inc.; Dennis J. Saccurato (d/b/a Compu-Kleen, Inc.)

The Commission filed a complaint alleging that the defendants, office supply telemarketers, violated the Telemarketing Sales Rule by sending unordered supplies to small businesses and nonprofit organizations, followed by invoices charging inflated prices. When victims complained or tried to return the goods, they were allegedly harassed and charged substantial “restocking” or shipping fees. The Commission is seeking a permanent injunction and consumer redress.

*Student Aid Incorporated;
Adel Kovaleva; Adel Tager; Raimma Tagiev*

The Commission filed a complaint alleging that the defendants falsely represented their ability to help students obtain scholarships or grants. According to the complaint, the defendants told consumers that they could obtain at least \$1,000 in scholarships or grants, but provided lists of unsuitable or expired scholarships and grants. They also required students to provide rejection letters from each source to get promised refunds and debited consumers’ checking accounts without authorization. The Commission obtained a temporary restraining order and is seeking a permanent injunction and consumer redress.

*Student Assistance Services, Inc.; Student Financial Services, Inc.;
Fred Markowitz; Donald McGovern*

The Commission filed a complaint alleging that the defendants offered fraudulent scholarship search services for an upfront fee and guaranteed to refund the fee if students did not get a scholarship or grant. According to the complaint, the defendants provided lists of unsuitable and expired scholarships or no lists at all and did not honor their refund policy. The Commission obtained a temporary restraining order and is seeking a court order permanently barring the defendants from similar schemes and requiring them to give refunds to their customers.

*Telecommunications Protection Agency, Inc.;
Charles Fulton; Jennifer Fulton*

Federal Trade Commission

The Commission filed a complaint alleging that Telecommunications Protection and its principals violated the Telemarketing Sales Rule. According to the complaint, Telecommunications Protection claimed that, for an upfront fee of \$5,000 or more, it would assist consumers in recovering money that they had lost in previous telemarketing schemes.

The Commission filed a complaint alleging that two companies, both jointly run by two individuals, ran a fraudulent application mill for federal paging licenses. According to the complaint, the defendants misrepresented the lease or resale value of the licenses, the number of licenses available in a given geographical area, and the income or profit that consumers could realize from purchasing the licenses. The Commission is seeking a permanent injunction and monetary relief.

USA Credit Services, Inc.; Steven Spence

The Commission obtained a temporary restraining order and an asset freeze against USA Credit and its president, Steven Spence. The Commission filed a complaint alleging that Spence violated the Telemarketing Sales Rule by making false claims about his credit repair service. According to the complaint, Spence claimed that he could remove negative information from consumers' credit reports even if the information was accurate and timely. In addition, Spence allegedly violated the Rule by seeking an upfront fee for his services. The Commission is seeking permanent injunctive relief and consumer redress.

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was by ~~USA Credit Services, Inc.~~

Federal Trade Commission

PRELIMINARY INJUNCTIONS COMPETITION MISSION

COMPETITION MISSION (SUMMARY)

Title	Number	Action Date	Type of Matter	Product/Service
Blodgett Memorial Medical Center	951 0126	01/19/96	Horizontal Merger	Inpatient Hospital Services
Questar Corporation	961 0001	12/27/95	Horizontal Merger	Natural Gas Transmission
Rite Aid Corporation	961 0020	04/17/96	Horizontal Merger	Drug Stores

COMPETITION MISSION (DETAIL) *Blodgett Memorial Medical Center; Butterworth Hospital*

The Commission filed a motion for a preliminary injunction to block the proposed merger of Blodgett Memorial Medical Center and Butterworth Hospital, the two largest hospitals in Grand Rapids, Michigan, alleging that the merger would substantially reduce competition for general acute care inpatient hospital services in the area. On September 26, 1996, the U.S. District Court for the Western District of Michigan, Southern Division, denied the Commission's request for an injunction. The Commission has appealed the denial of the request for an injunction to the U.S. Court of Appeals for the Sixth Circuit.

Questar Corporation

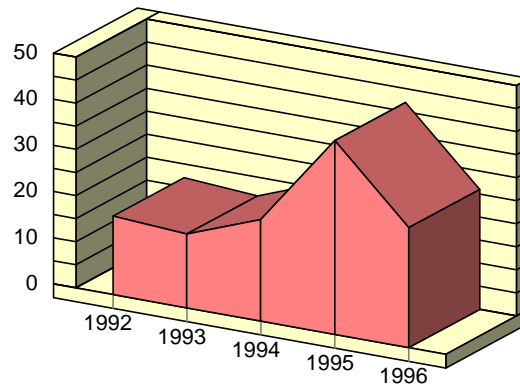
Questar abandoned its plans to acquire a 50-percent ownership interest in Kern River Gas Transmission Company after the Commission filed a motion in federal district court for a preliminary injunction to bar the transaction. According to the complaint, the consummation of the acquisition would give Questar control over the transmission of natural gas to industrial customers in the Salt Lake City area, which would reduce competition between the two firms and lead to higher prices. The court dismissed the case without prejudice.

Rite Aid Corporation; Revco D.S., Inc.

Rite Aid abandoned its proposed \$1.8 billion acquisition of Revco

Federal Trade Commission

PERMANENT INJUNCTIONS CONSUMER PROTECTION MISSION



CONSUMER PROTECTION MISSION (SUMMARY)

Title ¹	Number	Action Date	Type of Matter	Product/Service
Acme Vending Company	X950095	02/28/96	Franchise Rule	Vending Machine Business Opportunity
(Allied Snax, Inc.) James L. Roche	X960123	05/24/96	Franchise Rule	Snack Food Business Opportunity
Allstate Business Consultants Group, Inc.	X950061	08/30/96	Franchise Rule	Vending Machine Business Opportunity
(American Vending Group, Inc.) Kenneth Sterling	X950083	05/21/96	Franchise Rule	Display Rack Business Opportunity
Building Inspector of America, Inc., The	X940061	06/17/96	Franchise Rule	Home Inspection Service Franchises
Cambridge Exchange, Ltd., The	X930047	02/08/96	Investment Fraud	Artwork
Diamond Rug and Carpet Mills, Inc.	X960003	12/12/95	Textile Fiber Product Identification Act	Carpets
Georgetown Galleries, Inc.	X960010	11/29/95	Investment Fraud	Art Prints
Giving You Credit, Inc.	X960101	04/12/96	Telemarketing Sales Rule and Fair Credit Reporting Act	Credit Repair

Permanent Injunctions

Appendix

Title ¹	Number	Action Date	Type of Matter	Product/Service
Infinity Corporation (Makiko Kato, d/b/a)	X950097	03/14/96	Franchise Rule	Medical Billing Service Business Opportunity
Ivory Jack's Trading Company, Inc. Northwest Tribal Art, Inc.	X960052 X960052	05/08/96 05/08/96	Authenticity Fraud	Artwork – Native American Style
(Meridian Capital Management, Inc.) Angelo DeLon	X950060	04/25/96	Telemarketing Fraud	Investment Scheme “Recovery Room”
North East Telecommunications, Ltd.	X960082	09/20/96	Investment Fraud	Paging License Services
Nu-Idea Technologies, Inc. T. Randall Bridges James R. Davis	X950079 X950079 X950079	04/12/96 04/12/96 04/12/96	Franchise Rule	Vending Machine Business Opportunity
Ray Williams Funeral Home, Inc.	X960019	01/12/96	Funeral Rule	Funeral Services
(Second Income, Inc.) Glenn Rosofsky	X950073	11/27/95	Franchise Rule	Vending Machine Business Opportunity
Showcase Distributing, Inc.	X950054	07/08/96	Franchise Rule	Vending Machine Business Opportunity
Surface Science Corporation	X950100	02/14/96	Franchise Rule	Engine Lubricant Business Opportunity
(Telecommunications of America, Inc.) Robert Diehl	X950050	03/14/96	Franchise Rule	Pay Telephone Business Opportunity
United States Business Bureau, Inc. Reuben Borja Paul Kalomeris William Robert O'Rourke	X950062 X950062 X950062	03/26/96 03/26/96 03/26/96	Telemarketing Fraud	“Better Business Bureau” Scheme
Yasik Funeral Home – Stanley S. Yasik, Inc.	X960035	05/10/96	Funeral Rule	Funeral Services

¹A company name shown in parentheses is for

Federal Trade Commission

CONSUMER PROTECTION *Acme Vending Company; Peter K. Smith*
MISSION (DETAIL)

As part of a nationwide crackdown by federal and state regulators on business opportunity fraud, the Commission announced a settlement with Acme Vending and Peter Smith, marketers of snack and soft drink vending machine franchises. The settlement requires that the defendants comply with the Franchise Rule and prohibits them from making false or misleading statements when offering any franchise or business opportunity in the future.

(Allied Snax, Inc.)
James L. Roche

James Roche, individually and as an officer and director of Allied Snax, a now-defunct company, settled allegations that he misrepresented earnings claims and other aspects of his snack food distributorship programs. In addition, he agreed to settle allegations that he violated the Franchise Rule by failing to provide prospective franchisees with documentation required by the Rule. The settlement permanently bans Roche from promoting or selling any franchise or business venture.

Allstate Business Consultants Group, Inc.;
Enrico Pace; Edward Wong

Allstate Business Consultants, its president, and its CEO agreed to permanently discontinue their marketing and sale of franchises for

coffees, by failing to provide critical pre-purchase information to potential buyers and making exaggerated earnings claims. The consent decree prohibits Sterling from violating the Rule and from making false statements or misrepresenting material aspects of any business venture he offers.

Building Inspector of America, Inc., The

The Building Inspector, which offered franchises for home inspection services, settled allegations that it failed to disclose to potential purchasers the litigation and bankruptcy history of the company and two of its officers. The Commission also alleged that the company made unsubstantiated claims about the earnings franchise buyers could expect, among other violations of the Franchise Rule. The settlement bars The Building Inspector from future violations of the Rule. In separate settlements, three of the company officers agreed to pay civil penalties (*see – page III*).

Cambridge Exchange, Ltd., The; Wellington Art, Ltd., Inc.; Samuel Stier; Steven Stier

Two companies and two individuals settled allegations that they participated in a deceptive scheme to telemarket animation cels and other artworks to consumers nationwide. The Commission alleged that the defendants solicited consumers to purchase artworks by misrepresenting the investment value and profit potential of the art and also ran a deceptive prize-promotion scheme in which the artwork won was worth less than the “shipping and handling” fees consumers had to pay. The settlement prohibits the defendants from making false claims about the value or investment profit potential of any artwork or other item in the future.

Diamond Rug and Carpet Mills, Inc.

An investigation by the Commission and the Department of Justice revealed numerous instances in which Diamond apparently falsely by (holding) 14.64 0 TD 0 Tj 52.68 0 TDTw (artwork) (artwork) (artw

Federal Trade Commission

statute. The consent decree requires the company to comply with the Textile Act in the future and to set up a control system to ensure proper fiber identification and prohibits it from misrepresenting the fiber weight of carpets it manufactures and distributes.

*Georgetown Galleries, Inc. (Unique Selling Propositions, Inc., d/b/a);
Richard Spring*

Unique Selling Propositions, doing business as Georgetown Galleries, and its owner settled allegations that they misrepresented the investment value of the antiquarian art prints they sold. Under the settlement, Richard Spring and his company are barred from misrepresenting the investment value of the prints they sell and are required to disclose that buying artwork as an investment is high risk.

*Giving You Credit, Inc.; Clear Your Credit, Inc.;
Partners in Vision International, Inc.;
Keith Berggren; Lois Symington; Paul Symington*

The Commission alleged that the three companies and their principal officers developed a multi-level marketing plan to sell credit repair services through representatives who earned commissions on their sales and bonuses for recruiting new sales representatives. According to the complaint, one tactic the defendants used was to falsely claim that the Fair Credit Reporting Act requires deletion of an entire negative entry if it is not 100 percent accurate. The defendants settled the allegations under a consent decree that prohibits them from engaging in similar practices and requires them to cease collection efforts.

Infinity Corporation (Makiko Kato, d/b/a); Gregory Duvall

The Commission approved a settlement with Makiko Kato, doing business as Infinity, and principal Gregory Duvall. The company offers business opportunities to provide medical billing services using Infinity software. The settlement requires that the defendants comply with the Franchise Rule and prohibits them from making false or misleading statements when offering any franchise or business opportunity in the future.

*Ivory Jack's Trading Company, Inc.; Northwest Tribal Art, Inc.;
Ngoc Q. Ly; Kurt L. Tripp*

Two companies and their owners settled Commission allegations that they falsely represented that Native-American-style carvings they offered for sale were authentic Native-made artwork. As part of the settlement, the defendants are prohibited from misrepresenting that their artwork is made by Native Americans and are required to follow procedures to prevent such misrepresentations at the retail level for products they offer at wholesale. In addition, the two individual defendants are each required to pay \$20,000 as disgorgement.

*(Meridian Capital Management, Inc.)
Angelo DeLon*

Angelo DeLon settled allegations stemming from his participation in an allegedly deceptive telemarketing scheme, run by Meridian Capital, that purported to recover money consumers had lost to telemarketing investment fraud. Under the terms of the settlement, DeLon is permanently prohibited from engaging in misrepresentations regarding any material aspect of telemarketing or recovery room services and is required to post a \$50,000 bond before engaging in telemarketing or assisting others engaged in telemarketing.

*North East Telecommunications, Ltd.; Strategies Telecom, Inc.;
Tannen Advertising, Inc.; Daniel L. Coutinho; Mark R. Goldstein
(a/k/a Steve Collins, Steven Roberts, and Steve Rogers);
Dilraj Mathauda (a/k/a Roger Ford);
Anthony Vandeputte (a/k/a Ron Stewart)*

The Commission negotiated a settlement with Strategies Telecom, which was part of a common enterprise that offered investments in paging licenses issued by the Federal Communications Commission (FCC). According to the Commission, the defendants (including three companies and their owners) settled the

Federal Trade Commission

settlement with Strategies Telecom prohibits the company from making the challenged false claims. Charges against the other defendants are pending.

*Nu-Idea Technologies, Inc.; Film Centers of America, Inc.;
Mr. Popcorn, Inc.; T. Randall Bridges;
James R. Davis (a/k/a Ron Davis); Joseph Gilmore*

The Commission reached three settlements with Nu-Idea, two related firms, and three principals, who sold vending machine business ventures. The Commission alleged that the defendants violated the Franchise Rule by failing to give potential buyers required disclosures and documentation of evidence supporting earnings claims. The settlements bar future violations of the Rule.

*Ray Williams Funeral Home, Inc.;
David L. Northern, Jr.; Sarah C. Northern; Jeffrey L. Rhodes*

Ray Williams Funeral Home and its corporate officers settled allegations that they violated the Funeral RTD -0.0206 Tc 0 304 Tw (RTD -0 -0)

Showcase Distributing, Inc.; Dale Merritt (d/b/a VC Network)

Showcase Distributing and Dale Merritt, also doing business as VC Network, settled allegations that they violated the Franchise Rule by misrepresenting the earnings potential of business opportunities featuring vending machines for gourmet popcorn and other products. The settlement bars them from misrepresenting future business opportunities and requires them to comply with the Franchise Rule. Merritt is also required to post a performance bond of \$200,000 if he wishes to engage in the sale or promotion of any franchise or business venture in the next ten years.

Surface Science Corporation; David J. Kriel

The Commission approved an agreement with Surface Science and its president, settling allegations of business opportunity fraud. The company was attempting to market business opportunities for the right to sell Megalon engine lubricant, which purportedly guaranteed against engine wear. The settlement requires that the defendants comply with the Franchise Rule and prohibits them from making false or misleading statements when offering any franchise or business opportunity. This was the first franchise case in which the Commission was able to act before any actual sales were made and, thus, before any consumers lost their investments.

*(Telecommunications of America, Inc.)**Robert Diehl*

The Commission obtained a settlement with one of the corporate officers of Telecommunications of America, a company charged with business opportunity fraud involving pay telephone business ventures. Under the settlement, Robert Diehl must comply with the Franchise Rule in the future, which requires that certain documentation be given to prospective buyers, and he is prohibited from making false or misleading statements when offering any franchise or business opportunity. Additional settlements require two other officers to pay consumer redress (*see – page 135*).

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United States Business Bureau, Inc.
(d/b/a National Business Bureau)
Reuben Sierra Borja (a/k/a R.B. Borja and Reuben Sierra);
Paul Kalomeris (a/k/a Andrew North);
William Robert O'Rourke (a/k/a Billy Ray, R.C. Reinhold,
Billy Ray Roark, Bill Roberts, Andrew Joseph Rourke,
Terrence Michael Rourke, and William Rourke)

The Commission reached agreements with United States Business Bureau and three of its officers, settling allegations that they ran a fraudulent “better business bureau” that consumers could call for information on business opportunity marketers. Some of the businesses covered by the sham better business bureau were targeted in other cases brought by the Commission as part of the same nationwide crackdown. The settlements prohibit the officers from falsely implying that they are affiliated with a Better Business Bureau or with the government.

Yasik Funeral Home – Stanley S. Yasik, Inc.;
Joseph S. Yasik; Stanley J. Yasik, Jr.

Yasik Funeral Home and two corporate officers settled allegations that they violated the Funeral Rule in failing to give test shoppers the required general price list of goods and services. The consent decree prohibits the defendants from violating the Rule in the future.

**CIVIL PENALTY ACTIONS
COMPETITION MISSION**

COMPETITION MISSION (SUMMARY)

Title				

Federal Trade Commission

department store. Under terms of the consent judgment, Federated agreed to pay \$250,000 in civil penalties.

Foodmaker, Inc.; Chi-Chi's, Inc.

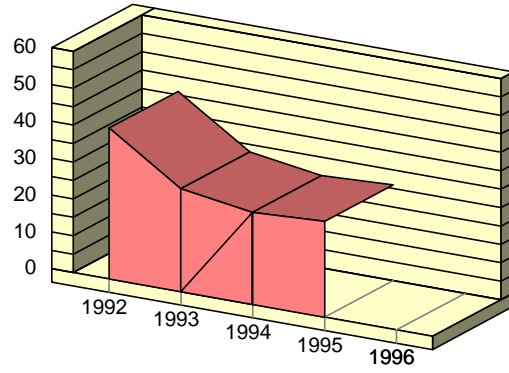
Foodmaker paid \$1.45 million in civil penalties to settle charges that its Chi-Chi's subsidiary failed to comply with the notification and filing requirements under the HSR Act before it acquired Consul, Inc., operator of 26 Chi-Chi's franchises. The complaint was filed in the U.S. District Court for the District of Columbia by Commission attorneys acting as special attorneys to the U.S. Attorney General.

Sara Lee Corporation

Sara Lee agreed to pay \$3.1 million, the largest civil penalty ever imposed under the HSR Act, for allegedly failing to notify federal antitrust agencies before acquiring the shoe care products assets of Reckitt & Colman plc. The complaint was filed in the U.S. District Court for the District of Columbia by Commission attorneys serving as special attorneys to the U.S. Attorney General. A consent order, finalized in 1994, required divestiture of the Griffin and Esquire brands of shoe polish in settlement of charges that the acquisition could create a monopoly in the U.S. market for shoe care products.

Titan Wheel International, Inc.; Pirelli Armstrong Tire Corporation

Titan Wheel International agreed to pay a \$130,000 civil penalty to settle charges that it acquired a Pirelli Armstrong plant in Des Moines before notifying the two federal antitrust agencies and observing the statutory waiting period. According to the complaint, the parties transferred control of the Pirelli Armstrong assets three days before filing notification under the HSR Act with the Commission and the Department of Justice. The complaint and proposed consent judgment were filed in the U.S. District Court for the District of Columbia by Commission attorneys acting as special attorneys to the U.S. Attorney General.



Civil Penalty Actions

Appendix

Title	Number	Action Date	Type of Matter	Product/Service
Laura Ashley, Inc.	X960086	08/13/96	Care Labeling Rule	Women's and Children's Apparel
Lewis & Ribbs Mortuary, Inc.	X960116	06/12/96	Funeral Rule	Funeral Services
Li'l Snacks, Inc.	X950101	05/08/96	Franchise Rule	Vending Machine Business Opportunity
Modern Management Systems, Inc.	X950088	04/29/96	Franchise Rule	Vending Machine Business Opportunity
National Tech Systems, Inc.	X950090	06/25/96	Franchise Rule	Display Rack Business Opportunity
Nibblers, Inc.	X950091	11/01/95	Franchise Rule	Vending Machine Business Opportunity
Quartercall Communications, Inc.	X950094	12/28/95	Franchise Rule	Pay Telephone Business Opportunity
Restland Funeral Homes, Inc.	X920009	09/19/96	Funeral Rule	Funeral Services
STP Corporation	X960004	12/20/95	Order Violation	Motor Oil Additives
Summit Communications, Inc.	X950099	05/28/96	Franchise Rule	Pay Telephone Business Opportunity
Tanzara International, Inc.	X960109	09/04/96	Care Labeling Rule	Women's Sports Apparel
Telebrands Corporation	X960111	09/23/96	Mail/Telephone Order Merchandise Rule	Mail-Order Merchandise
Tutor Time Child Care Systems, Inc.	X960094	08/05/96	Franchise Rule	Day Care Center Franchises
United Creditors Alliance Corporation	X960113	09/19/96	Fair Debt Collection Practices Act	Debt Collection
W.W. Chambers, Co., Inc.	X950070	07/17/96	Funeral Rule	Funeral Services

CONSUMER PROTECTION MISSION (DETAIL) *A.H. Peters Funeral Home of Grosse Pointe, Inc.;*
David L. Peters; Roy A. Peters

A.H. Peters and its officers agreed to pay a \$60,000 civil penalty to settle allegations that they violated the Funeral Rule. The Commission alleged that they conditioned the furnishing of certain

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funeral goods and services on the purchase of other goods and services, failed to provide general price lists, and failed to give properly itemized statements. Under the settlement, the defendants are required to follow written procedures and to participate in a training program to ensure that their employees comply with the Funeral Rule in the future.

All Snax, Inc.; Harvey Waters

All Snax and its president agreed to a consent order under which they are required to pay a \$20,000 civil penalty to settle allegations that they violated the Franchise Rule in their sale of display rack distributorships for snack foods and related 0 9fh TD 0 0 TDe0 TD 0D -0.0216

checks that bounced. The defendants are prohibited from violating the Rule in the future.

America's Radio Transmitter, Ltd.;
America's Radio Transmitter, Inc.; Leon D. Swichkow

The two companies and

Federal Trade Commission

shoppers the required general price list for goods and services and, in some instances, failed to provide separate price lists for items not on the general list. The agreements require the funeral homes to comply with the Rule in the future and impose civil penalties as follows: Robert Hutchison, doing business as Daniels & Hutchison, \$3,500; House of

Federal Trade Commission

and its president, \$4,000; M.H.I. Group, Funeral Services Acquisition, and Kinzer, an officer of both companies, \$35,000; Mark Curry's, Mark III, and officer Curry, \$11,000; Thomas Aikens, Inc., and its corporate officers, \$9,000.

Global Gumballs, Inc.; Michelle Smith; Tim McCarty

The Commission settled with Global Gumballs and its officers in connection with allegations that they violated the Franchise Rule in the sale of gumball vending machine routes. The Commission alleged that the defendants failed to provide critical pre-purchase information to potential buyers and made exaggerated earnings claims. The consent order prohibits the defendants from violating the Rule and from making false statements or misrepresenting material aspects of any business venture they offer. In addition, they are required to pay a \$50,000 civil penalty.

Hasbro, Inc.

Hasbro, a toy company, agreed to pay a \$280,000 civil penalty to settle allegations that it engaged in deceptive advertising in violation of a 1993 consent order. The Commission alleged that a recent Hasbro commercial for its Colorblaster paint sprayer toy appeared to show that children could operate the toy with very little effort when, in fact, a motorized air compressor was used during filming of the commercial to provide the necessary pressure. The consent decree prohibits the firm from using deceptive demonstrations or otherwise misrepresenting the performance of any toy.

*Island Automated Medical Services, Inc. (d/b/a Diversified Data Services, Med Star USA, and Star Funding Group);
John Travlos*

Island Automated Medical Services and its officer have agreed to pay a \$40,000 civil penalty to settle allegations that they failed

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from making false statements or misrepresenting material aspects of any franchise or business they offer.

J.C. Pro Wear, Inc.; James L. O'Laughlin

J.C. Pro Wear and its principal officer agreed to settle allegations of falsely claiming to be in compliance with the Franchise Rule and with violating the Rule, in part, by failing to provide prospective franchisees with required disclosure documents. The company offers franchises for retail outlets that sell sports apparel in leased space in Montgomery Ward stores. The settlement prohibits the defendants from making similar misrepresentations and from violating the Rule in the future and requires them to pay a civil penalty of \$65,000.

Laura Ashley, Inc.

Laura Ashley, an importer and retailer of children's and women's ready-to-wear clothes, agreed to pay a \$60,000 civil penalty to settle allegations that it violated the Care Labeling Rule, which requires that clothing be labeled with written instructions for proper cleaning and care. According to the Commission, Laura Ashley used symbols rather than written instructions, in violation of the current Rule. Under the agreement, the company will pay the civil penalty and will be barred from future violations of the Rule.

Lewis & Ribbs Mortuary, Inc.; Lorenzo J. Lewis

Lewis & Ribbs Mortuary and its owner agreed to pay a \$20,000 civil penalty to settle allegations that they failed to give consumers general price lists and statements itemizing their purchases in the form required by the Funeral Rule. Under the terms of the settlement, in addition to paying the civil penalty, the defendants must comply with the Rule in the future.

Li'l Snacks, Inc.; Cornelius (Eugene) Hartley; Nava Jo Hartley

The Commission reached a settlement with L'il Snacks and two individuals in connection with allegations that they violated the Franchise Rule. The Commission alleged that the defendants, who offered business opportunities involving snack-food vending machine routes, failed to give potential buyers detailed upfront disclosures and

Federal Trade Commission

documentation, as required by the Rule. The settlement requires the defendants to pay a \$20,000 civil penalty and prohibits them from violating the Rule in the future.

*Modern Management Systems, Inc. (d/b/a Nationwide Vending);
Margaret Reed Small*

The Commission settled with Modern Management Systems and its president in connection with alleged violations of the Franchise Rule in their sale of countertop snack-vending machines. The Commission alleged that the defendants failed to provide critical pre-purchase information to potential buyers and made exaggerated earnings claims. The consent decree prohibits the defendants from violating the Rule and from making false statements or misrepresenting material aspects of any business venture they offer. In addition, Modern Management Systems agreed to pay a \$7,000 civil penalty.

National Tech Systems, Inc.; Mel Parsell

National Tech Systems and its president agreed to pay a \$10,000 civil penalty to settle allegations that they failed to give potential investors presale disclosures about the business opportunities they sold and documentation to support claimed earnings, as required by the Franchise Rule. The company sold display rack business opportunities for “Crime Alert” personal protection products, claiming that investors a l t o s 0 T w v e s t o r s

Federal Trade Commission

The Commission settled with Summit Communications and its president in connection with allegations that they had violated the Franchise Rule in their sale of pay telephone vending franchises. The Commission alleged that the defendants failed to provide critical pre-purchase information to potential buyers and made exaggerated earnings claims. The consent decree prohibits the defendants from violating the Rule and from making false statements or misrepresenting material facts.

Federal Trade Commission

Consumer Redress Actions

Appendix

Title ^{2,3}	Number	Action Date	Type of Matter	Product/Service
Hang-Ups Art Enterprises, Inc.	X950014	01/29/96	Investment Fraud	Art Prints
Independence Medical, Inc.	X950043	09/19/96	Telemarketing Fraud	Medical Equipment and Health Insurance
(International Charity Consultants, Inc.) AWARE	X940028	04/03/96	Telemarketing Fraud	Telephone Prize-Promotion Charitable Solicitation
International Computer Concepts, Inc.	X940071	10/24/95	Franchise Rule	Display Rack Business Opportunity
Mackie Services, Inc.	X950046	02/12/96	Franchise Rule	Display Rack Business Opportunity
Motion Medical, Inc.	X950042	05/20/96	Telemarketing Fraud	Medical Equipment and Health Insurance
MTK Marketing, Inc. Intel Marketing Dennis Connelly Erick Graziano	X960049 X960049 X960049 X960049	09/18/96 08/08/96 08/08/96 08/08/96	Telemarketing Fraud	Office Supplies
National Bureau of Credit, Inc. (Johnny Ray Dunn, d/b/a)	X960070	08/08/96	Telemarketing Sales Rule and Advance-Fee Loan Fraud	Consumer Finance
Nishika, Ltd.	X950016	04/16/96	Telemarketing Fraud	Camera Prize Promotion
North American Supply, Inc. Larry Ellis	X950055 X950055	11/22/95 11/22/95	Telemarketing Fraud	Office Supplies
On Line Communications, Inc. Richard Basile	X960022	07/19/96	Telemarketing Fraud and Investment Fraud	Paging License Services
Orion Products Corporation	X960095	07/19/96	Franchise Rule	Vending Machine Business Opportunity
Public Telco Corporation	X950064	10/04/95	Franchise Rule	Pay Telephone Business Opportunity
Research Awards Center, Inc. Fernando "Tom" Alvarez	X950033	02/29/96	Telemarketing Fraud	Sweepstakes/Prize Promotions
Satellite Broadcasting Corporation PAL Financial Services, Inc. Allan Wells	X950034 X950034 X950034	01/19/96 01/19/96 01/19/96	Investment Fraud	Satellite Television Broadcasting Services

Federal Trade Commission

Title ^{2,3}	Number	Action Date	Type of Matter	Product/Service
(Second Income, Inc.) Alan Rosofsky M. David Silverman	X950073 X950073	11/27/95 11/27/95	Franchise Rule	Vending Machine Business Opportunities
Southeast Necessities Company, Inc.	X940075	10/06/95	Franchise Rule	Display Rack Business Opportunity
(Telecommunications of America, Inc.) Stephen Jonathan Burns Barry Taylor	X950050 X950050	03/14/96 03/14/96	Franchise Rule	Pay Telephone Business Opportunity
Total Care, Inc.	X960012	09/23/96	Telemarketing Fraud	Prize Promotion
U.S. Telemedia, Inc.	X960051	09/24/96	Mail/Telephone Order Merchandise Rule	Internet Computer Memory Chips
United Consumer Services, Inc.	X940080	05/21/96	Telemarketing Fraud	Telemarketing Fraud "Recovery Room"
United Wholesalers, Inc.	X950004	01/16/96	Telemarketing Fraud	Business Supplies
USM Corporation, d/b/a Senior Citizens Against Telemarketing (SCAT)	X950067	01/23/96	Telemarketing Fraud	Telemarketing Fraud "Recovery Room"
Windward Marketing, Ltd. Crestwood Enterprises, Inc. Matthew Corbitt Mizell, Jr.	X960026 X960026	06/26/96 06/26/96	Telemarketing Fraud	Magazine Subscription Prize Promotion
(Wolf Group) Marvin Wolf	X940029	01/31/96	Franchise Rule	Vending Machine Business Opportunity

¹The consumer redress amounts included in the following case descriptions have been ordered by the court and may be higher than the amounts collected and returned to consumers.

²A company name shown in parentheses is for identification of the case only; the company is not a defendant in the item shown in the table.

³Redress or disgorgement funds were also obtained in the following administrative orders:

- Azrak-Hamway International, Inc. (see page 52)
- Budget Rent A Car Systems, Inc. (see page 53)
- Dannon Company, Inc., The (see page 54)
- Ivory Jack's Trading Company, Inc. (see page 101)
- National Dietary Research, Inc. (see page 66)
- Third Option Laboratories, Inc. (see page 61)
- Zygon International, Inc. (see page 62)

CONSUMER PROTECTION (*American Fortune 900, Inc.*)
MISSION (DETAIL) *Rory Cypers*

The Commission negotiated a settlement with Rory Cypers, a principal of American Fortune 900, concerning his role in the company's allegedly deceptive marketing of investments in 900-number telephone lines. The Commission alleged that the company depleted a substantial portion of investors' capital in paying sales commissions and other expenses and misrepresented the number of operational 900-number lines in which it had a financial interest. The settlement with Cypers includes \$100,000 for consumer redress; in addition, he must post a \$300,000 performance bond before engaging in any type of telemarketing and must disclose the existence of the bond to customers.

Caribbean Clear, Inc.; Patricia Benton; Jerry Minchey

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Federal Trade Commission

the sale of any investment or telemarketed product or service. In addition, the individual defendants are required to turn over virtually all of their significant assets (totaling \$160,000) for consumer redress, and a \$1 million judgment was entered against the corporate defendant, Chase McNulty. The individual defendants are each required to post a \$350,000 performance bond before engaging in the telemarketing of any product or service, unless they are employed by a regulated broker or agency.

Consumer Credit Advocates, P.C.;
Consumer Credit and Legal Services, P.C.;
David B. Markowitz; John E. Petiton

The Commission reached a settlement with two closely related law firms that were behind a deceptive advertisement for credit repair services posted on thousands of Internet news groups. Consumer Credit and Legal Services and two of its officers created Consumer Credit Advocates, which advertised that it could remove derogatory information from clients' credit records on behalf of the agency. The settlement requires the agency to remove derogatory information from clients' credit records on behalf of the agency.

Desert Financial Group, Inc.; Keith Parker

Desert Financial and its president agreed to settle allegations that they falsely told consumers, many of whom were senior citizens, that for an upfront fee, sometimes exceeding \$1,000, they could recover money the consumers had lost to other telemarketers. In fact, according to the Commission, little, if any, money was recovered from the defendants' efforts. The settlement with Keith Parker requires him to post a \$300,000 bond before engaging in telemarketing activities in the future and to pay \$11,000 for consumer redress. The settlement prohibits Parker from misrepresenting any fact material to a consumer's decision to make a charitable contribution, to enter a contest, or to purchase recovery room services or any other product or service. The Commission is seeking a default judgment against Desert Financial once the settlement with Parker is approved by the court.

*Fraud Action Network System (FANS), Inc.;
Michael Starrion; Rena Warden*

A federal district court permanently banned a telemarketer and two individuals from engaging in any prize-promotion telemarketing activity or recovery service. The judge issued the order after FANS and two of its officers failed to answer Commission allegations that they misrepresented that their "recovery room" services would obtain money that consumers had lost in previous telemarketing schemes and that they violated the Telemarketing Sales Rule by requesting payment in advance. The judgment provides for over \$378,900 for consumer redress.

*Freedom Medical, Inc.; Freedom Medical of Wisconsin;
Sierra Medical, Inc.; Robert D. Atkins; Robert L. Grden;
Brian A. Patten; Daniel Smeltzer*

Three related companies and four individuals agreed to settle allegations that they deceptively telemarketed medical equipment to consumers nationwide and engaged in fraud against health insurance companies. According to the Commission, the defendants marketed medical equipment to disabled persons, then obtained physicians' approval and submitted claims to health insurers; the claims in many instances were for more expensive equipment and for items and

Picasso, and represented to consumers that the prints were the work of the named artists, while knowing that they were counterfeit. The settlement also contains strong prohibitions against false claims about the nature of any artwork the defendants sell in the future.

Independence Medical, Inc.; Ability Medical, Inc.;
American Medical Independence (A.M.I.);
Independence Medical of America, Inc.; Jeffrey S. Marmer;
Jerry Rodney Rogers; Jerry Wilburn Rogers; Violet Cassie Rogers

Independence Medical, three related companies, and company officers and agents agreed to pay redress totaling \$38,500 to settle allegations stemming from their role in an allegedly deceptive scheme to telemarket medical equipment to consumers nationwide. The Commission alleged that these defendants, along with a number of other corporate and individual defend

equipment and for items that had not been ordered by consumers. The settlement prohibits the defendants from misrepresenting any product or service they telemarket in the future and requires Anton Wood to obtain a \$150,000 performance bond before he engages in the sale of durable medical equipment.

Federal Trade Commission

The Commission negotiated an agreement with Johnny Ray Dunn settling allegations that he engaged in misrepresentations and fraudulent practices in connection with the offering of advance-fee credit cards and loans. Dunn represented that he had an “excellent record” with an independent consumer protection agency, the National Bureau of Consumer Affairs, which was actually one of the names under which he did business, the Commission alleged. The settlement requires Dunn to pay \$3,500 in consumer redress, bars him from marketing advance-fee credit services and from violating the Telemarketing Sales Rule’s provisions against deceptive or abusive marketing.

the Commission negotiated two settlements with defendants (in) Tj 36.- -14.16 TD -00048 Tc 0 Twa() TTj7.28 0 TD 0 T

amounts: North American Supply and American Computer Industries, \$1.3 million; Larry Ellis, \$202,316; Harold Moskowitz and Ron Moskowitz, \$325,000.

On Line Communications, Inc.;
Richard Basile; Robert Corey (a/k/a Michael Allen)

The Commission reached a settlement with one defendant and obtained a default judgment against the others in its case against On Line Communications, a company that allegedly ran a fraudulent application service for paging system licenses issued by the Federal Communications Commission (FCC). The Commission alleged that the firm, its president, and a hidden principal misrepresented their paging license services, alleging that consumers are unlikely to derive any income or profit from such licenses, contrary to the defendants' claims. The settlement with Richard Basile requires him to turn over \$39,150 in frozen assets for consumer redress and prohibits him from making false representations about any investment he offers in the future. The court entered a default judgment of \$817,130 for redress against On Line Communications and Robert Corey after they failed to answer the Commission's allegations. The judgment also prohibits false claims and requires Corey to post a \$300,000 performance bond before engaging in any telemarketing in the future.

Orion Pr

Federal Trade Commission

Commission alleged that the defendants overstated the earnings potential of their pay telephone business opportunities, provided false references, misrepresented the assistance they would provide investors, and lied about their refund policies. The defendants are permanently banned from offering any franchise or business opportunity, from engaging in any form of telemarketing, and from selling or transferring any customer lists.

Research Awards Center, Inc.; Financial Research Group, Inc.; Quality Marketing, Inc.; Fernando "Tom" Alvarez; Nicholas Creighton Parr (a/k/a Nicholas Creighton and Creig Parr)

The Commission settled with three corporations and two individuals in connection with allegations that they mailed millions of deceptive solicitations in a massive sweepstakes scheme in which they falsely promised consumers that they were "guaranteed winners" of valuable prizes. The settlement requires Fernando Alvarez to pay \$900,000 for consumer redress; it bars all five defendants from offering sweepstakes or similar promotions, prohibits them from making false statements in offering any product or service by direct mail, and requires each of them to obtain a \$1 million performance bond before offering products or services by direct mail in the future.

Satellite Broadcasting Corporation; Media Management, Inc.; PAL Financial Services, Inc.; Satellite Broadcasting Royalty Trust; Satellite Systems, Inc.; T. Michael Haws; Lonny Remmers; Allan Wells (a/k/a Joseph Champion)

Five companies and three individuals who are company officers agreed to pay a total of more than \$700,000 for consumer redress in three settlements relating to allegations that they misrepresented investment opportunities in satellite television broadcasting services. The Commission alleged that the defendants induced consumers to subscribe to satellite television programming by falsely representing the investment

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opportunity and require the individual defendants to post performance bonds before engaging in any future telemarketing activities.

Federal Trade Commission

*(Second Income, Inc., d/b/a Creative Promotions
and Silver Shots, Inc.)
Alan L. Rosofsky; M. David Silverman*

The Commission negotiated settlements with two individuals named in the business opportunity fraud case against Second Income. The Commission alleged that the defendants enticed consumers nationwide into purchasing coin-operated game vending machines as business opportunities by making false claims about potential earnings, profitable locations, and compliance with state licensing laws. The Commission also alleged that the defendants violated the Franchise Rule by failing to provide required disclosure documents to prospective franchisees. The two settlements provide for combined consumer redress of \$80,000 and prohibit the defendants from making deceptive claims about any business opportunity and from violating the Franchise Rule in the future.

*Southeast Necessities Company, Inc. (d/b/a Dr.'s Choice);
Allstate Locating, Inc.; Germaine Easley; David Kallen;
Marc Frank Kallen; Janice Lynn Zoyes; Michael George Zoyes*

Two companies and five individuals paid \$360,000 to settle allegations involving their allegedly deceptive marketing of business opportunities. The money will be used as redress for consumers who invested in the defendants' display racks of "Dr.'s Choice" diet and vitamin products. The Commission alleged that the defendants misrepresented the earnings and success of the businesses and the availability of profitable retail locations for of misrepresentations alleged in

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misleading

Consumer Redress Actions

RULEMAKING ACTIVITIES

COMMISSION-WIDE *Sunset Rule*

The Commission issued a final rule regarding the duration of administrative cease and desist orders in both antitrust and consumer protection matters. Under the new Sunset Rule, administrative orders issued prior to August 16, 1995, will expire automatically 20 years after they were issued, unless there has been a complaint or consent decree alleging that the order has been violated. The Rule incorporating this “sunset” policy for existing administrative orders follows Commission policy issued in August 1995 that provides for termination of future administrative orders after 20 years. Before the Rule was adopted, the Commission could set aside orders or provisions of orders only upon filing of a petition by the respondent or initiation of show-cause proceedings by the Commission. The new Rule became effective on January 2, 1996.

COMPETITION MISSION *Premerger Review Regulations*

The Commission issued amendments to premerger notification rules by adopting five new rules that exempt certain mergers and acquisitions from prior review by federal regulators. Under the new rules, certain classes of transactions that are not likely to raise antitrust concerns are exempted from the reporting requirements of the Hart-Scott-Rodino (HSR) Antitrust Improvements Act of 1976. That Act generally requires entities contemplating mergers to file premerger reports with the Commission and the Department of Justice and to wait a specified period of time before con

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appliances such as refrigerators and freezers. Under this Rule, manufacturers must attach to most major appliances *EnergyGuide* labels that provide an estimate of the product's annual energy consumption or energy efficiency. The Commission amended the Rule this year to allow appliance manufacturers to place energy use labels required by the Canadian and Mexican governments "directly adjoining" the *EnergyGuide* labels. The amended Rule, which became effective June 28, 1996, supports the goal of the North American Free Trade Agreement to harmonize standards-related measures to facilitate trade among the United States, Canada, and Mexico.

Funeral Rule

In conjunction with the National Funeral Directors Association (NFDA), the Commission implemented two programs to improve and ensure the funeral industry's compliance with the Funeral Rule. This Rule requires that funeral homes give shoppers a general price list of funeral goods and services. One program, the Funeral Rule Offenders Program (FROP), is an option to resolve violations of the Rule. Violators choosing to enroll in this program make voluntary payments to the U.S. Treasury or state government, undergo compliance review by NFDA counsel, and hold NFDA-led training for all employees. The second program, the Funeral Industry Rule Compliance Assurance Program, provides continuous training to funeral industry personnel on Rule compliance.

Recycled Oil Rule

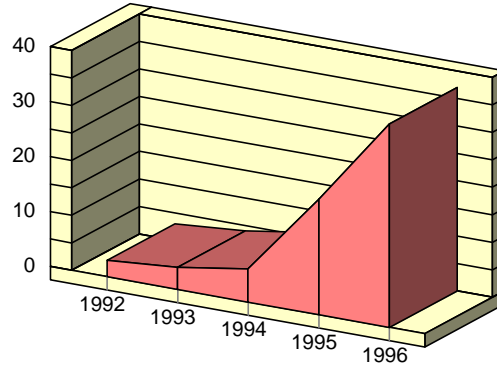
The Commission approved a final rule on test procedures and labeling standards for recycled or "rerefined" oil intended for use as engine oil. The Recycled Oil Rule implements statutory requirements designed to encourage the use of recycled oil. It permits manufacturers to represent on a container of recycled oil that the oil is substantially equivalent to new engine oil, as long as the determination of equivalency is based on the test procedures prescribed by the new Rule.

Regulatory Reform

Federal Trade Commission

The Commission continued its activities under the ten-year schedule to review all rules and guides, repealing those that are outdated or no longer needed, and streamlining those that are retained. In fiscal year 1996, the Commission rescinded eight rules (the *Fiberglass Curtain and Draperies Rule*, the *Quick Freeze Spray Rule*, the *Binocular (Prismatic) Rule*, the *Sleeping Bag Rule*, the *Tablecloth Rule*, the *Extension Ladder Rule*, the *Leather Belt Rule*,
Spray

**ORDER MODIFICATIONS
COMPETITION MISSION**



COMPETITION MISSION (SUMMARY)

Title	Number	Action Date	Type of Matter	Product/Service
Adobe Systems Incorporated	C3536	03/13/96	Horizontal Merger	Computer Programming and Software
Alleghany Corporation	C3218 C3335	06/27/96 06/27/96	Horizontal Merger	Title Offices, Title Insurance
American Home Products Corporation	C3557	01/16/96	Horizontal Merger	Pharmaceuticals
American Stores Company	C3238	12/01/95	Horizontal Merger	Grocery Stores
Arkla Inc.	C3265	06/13/96	Horizontal Merger	Gas Transmission and Distribution
Atlantic Richfield Company (ARCO)	C3314	02/07/96	Horizontal Merger	Chemicals
Boston Scientific Corporation	C3573	01/05/96	Horizontal Merger	Surgical and Medical

Federal Trade Commission

Title	Number	Action Date	Type of Matter	Product/Service
IVAX Corporation	C3565	06/17/96	Horizontal Merger	Pharmaceuticals
KKR Associates, L.P.	C3253	10/31/95	Horizontal Merger	Packaged Foods
L' Air Liquide S.A.	C3216	02/15/96	Horizontal Merger	Industrial Gases
Mannesmann AG	C3378	10/11/95	Horizontal Merger	Conveyors and Conveying Equipment
McCormick & Company	C3468	02/26/96	Horizontal Restraints	Dehydrated Onions
MTH Holdings, Inc.	C3266	02/16/96	Horizontal Merger	Grocery Stores
National Dairy Products Corporation	D8548	11/08/95	Price Discrimination	Packaged Foods
Occidental Petroleum Corporation	D9205	11/16/95	Horizontal Merger	Plastic Materials and Resins
Papermakers Felt Association	C0828	11/22/95	Monopolization	Papermaking Felt
Pendleton Woolen Mills, Inc.	C2985	09/30/96	Distributional Restraints	Clothing
Red Apple Companies, Inc.	D9266	09/13/96	Horizontal Restraints	Grocery Stores
Roche Holding Ltd.	C3315 C3542	01/16/96 01/16/96	Horizontal Merger	Pharmaceuticals
Rohm & Haas Company	C3387	01/16/96	Horizontal Merger	Acrylic Polymers
S.C. Johnson & Son, Inc.	C3418	12/22/95	Horizontal Merger	Polishes and Sanitation Goods
Service Corporation International Sentinel Group, Inc.	C3372 C3440 C3579 C3348	04/18/96 04/18/96 04/18/96 04/18/96	Horizontal Merger	Funeral Services and Cemeteries
Sun Company, Inc.	C3246	04/18/96	Horizontal Merger	Petroleum Products
T&N plc	C3312	04/23/96	Horizontal Merger	Motor Vehicle Parts and Accessories
Tele-Communications, Inc.	C3575	05/15/96	Horizontal Merger	Cable TV
Vons Companies, Inc., The	C3233	05/28/96	Horizontal Merger	Grocery Stores
West Point Pepperell Inc.	C3244	10/04/95	Horizontal Merger	Bed and Bath Linens

COMPETITION MISSION *Adobe Systems Incorporated; Aldus Corporation*
(DETAIL)

The Commission modified a 1994 consent order, eliminating Adobe's obligation to obtain Commission approval before acquiring an interest in any firm that develops or sells professional-illustration software for Macintosh or Power Macintosh computers, and requiring instead, advance Commission notice of such acquisitions. Under the Commission's 1996 prior approval policy, consent agreements will no longer routinely require parties to a challenged merger to obtain prior approval for future transactions.

Alleghany Corporation

The Commission modified, in part, two consent orders, one issued in 1987 and another issued in 1991. The Commission ended the obligation of Alleghany, in both orders, to obtain prior Commission approval before acquiring certain assets related to title insurance, instead substituting a provision requiring the firm to provide prior notification for acquisitions of original title records. The modification also exempts acquisitions of certain copies of title records.

American Home Products Corporation

The Commission ended the obligation of American Home Products to obtain prior approval before acquiring certain assets of any U.S. manufacturer of tetanus, diphtheria, or rotavirus vaccine. The prior approval provision was included in a 1995 consent order that settled charges stemming from the acquisition of American Cyanamid Company, a competitor in the market for pharmaceutical products. The Commission replaced the prior approval provision with a prior notice requirement, obligating the firm, for ten years, to notify the Commission before proceeding with certain acquisitions.

American Stores Company

The Commission granted in

prohibited the Association from participating in and publishing a relative values study that influenced the fees charged by physicians. According to the Commission, the original order was designed to inhibit price-fixing, not to inhibit the Association's lawful entry into managed care markets.

Charter Medical Corporation

The Commission granted in part the petition of Charter and modified two provisions in a 1995 order, replacing the general prior approval requirement with a prior notice provision requiring Commission notice of acquisitions of certain psychiatric facilities and setting aside the prior notice provisions concerning certain nonmerger joint ventures.

Columbia/HCA Healthcare Corporation

The Commission modified a hold-separate agreement requiring the Utah assets of Healthtrust, Inc.–The Hospital Company to be operated separately from Columbia/HCA. Under conditions of the modification, Columbia/HCA's hold-separate requirements ended when Davis Hospital, the Medical Center of Layton, and Pioneer Valley Hospital were sold to Paracelsus Healthcare Corporation.

Hoechst Celanese Corporation

The Commission ended Hoechst Celanese's obligation to obtain prior Commission approval before acquiring certain assets related to acetal. The order settled charges that the acquisition of the Celanese Corporation by Hoechst substantially lessened competition in the manufacture and sale of acetal, an engineering thermoplastic polymer used in small mechanical parts such as gears, in the United States.

*Institut Merieux S.A. (Pasteur Merieux Serums & Vaccins S.A.,
successor)*

The Commission granted the petition of Pasteur Merieux (successor to Institut Merieux, S.A.) to delete the provision of a 1990 consent order requiring prior approval of any acquisition of any company that manufactures or sells in the United States human vaccines also produced by Pasteur Merieux, such as vaccines for

Federal Trade Commission

diphtheria, pertussis, and tetanus (DPT), polio, and rabies. The Commission replaced the requirement with a prior notice provision for acquisitions valued at \$2 million or more. The consent order settled charges that the acquisition of Connaught BioSciences, Inc., would create a dominate firm in the U.S. market for rabies and

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producer in the United States. The 1994 consent order settled charges stemming from Occidental's acquisition of the PVC businesses of Tenneco Polymers, Inc.

Papermakers Felt Association (Albany International Corporation, successor to Albany Felt Company)

The Commission terminated a 1964 consent order that settled charges that the Papermakers Felt Association and its members conspired to fix and maintain prices and terms of sale in the papermakers felt industry. The order against Albany International (successor to Albany Felt Company) was set aside under the Commission's "sunsetting" policy, which terminates orders that have been in effect more than 20 years.

Pendleton Woolen Mills, Inc.

The Commission modified in part a 1979 order that settled charges that Pendleton had engaged in agreements with retailers about the prices at which they could advertise and sell Pendleton clothing and other products. The order prohibited the firm from engaging in certain resale price maintenance practices and also contained "fencing in" provisions prohibiting Pendleton from exercising unilateral control over how its products are marketed and sold. The modification permits Pendleton to engage in lawful, price-restrictive, cooperative advertising and also allows Pendleton to terminate a reseller of its products for failing to adhere to Pendleton's announced resale prices or sale periods.

*Red Apple Companies, Inc.; Designcraft Industries, Inc.
(d/b/a Sloan's Supermarkets, Inc.);
Supermarket Acquisition Corp.; John A. Catsimatidis*

The Commission granted a petition from Red Apple and three other respondents to reopen and modify a 1995 consent order ending their obligation to divest a supermarket in the Chelsea area of Manhattan, only after the respondents agreed to pay a civil penalty of \$600,000 for failure to divest certain supermarkets in Manhattan on a timely basis.

Roche Holding Ltd.; Genentech, Inc.; Hoffman-La Roche Inc.;

Roche Holdings, Inc.

The Commission modified the prior approval provisions in two orders that required Roche and subsidiary Hoffman-La Roche, among other things, to obtain approval before acquiring certain assets in the markets for drug abuse testing products. In the 1990 order that settled antitrust concerns relating to the acquisition of Genentech, the Commission replaced the prior approval provision with a prior notice provision; the Commission set aside entirely the 1994 order that challenged the acquisition of Syntex, a competitor in drug abuse testing products.

Rohm & Haas Company

The Commission granted in part the petition of Rohm & Haas to end the company's obligation to obtain Commission approval before acquiring an interest in any entity that produces architectural acrylic emulsion polymers, an ingredient in exterior latex paints. In place of the prior approval requirement, the Commission imposed a prior notice requirement for certain future acquisitions.

Federal Trade Commission

The Commission granted Sun's petition to modify a 1989 consent order by substituting a prior notice provision for the prior approval requirement. The order now requires Sun to notify the Commission before acquiring any light petroleum products terminals or pipelines in certain parts of New York and Pennsylvania.

T&N plc

The Commission granted T&N's request and modified a 1990 consent order that settled antitrust concerns relating to the acquisition of J.P. Industries, Inc. The consent order now requires T&N to provide prior notice before acquiring any entity engaged in the manufacture of engine bearings.

by
T&N

a 1988 order. The order allowed West Point Pepperell to acquire J.P. S

CONSUMER AND BUSINESS EDUCATION ACTIVITIES

CONSUMER PROTECTION *Publications and Other Products*
MISSION

The Office of Consumer and Business Education produced 61 new and revised publications: 55 for consumers and 6 for business; they included 22 updates and one publication in Spanish. Distribution exceeded 4.1 million copies.

The Office produced two radio public service announcements (PSAs). The PSA on the Telemarketing Sales Rule (TSR), produced in English and Spanish, was distributed to an estimated 2,200 stations. The other, which promoted *The Real Deal* booklet, was sent to 500 radio stations and networks.

The Office produced several new “products,” including tip cards, bookmarks, book covers, and flyers, and redesigned its *Facts for Consumers* format to enhance readability. Among the year’s special products were two award-winning publications: *The Real Deal*, an activity booklet for pre-teens, and *Viatical*

Communications Commission to produce brochures on telephone leasing and high-tech telecommunications scams, with the American Express Company to write and distribute brochures on cybershopping and the use of credit for college students, and with the Direct Marketing Association to produce a compliance guide to

Federal Trade Commission

products and messages to various industry, trade, and professional organizations helped to expand the audience for consumer and industry education. Since its launch in January 1996, the partnership has disseminated 90 million fraud-prevention messages.

Telemarketing Fraud Information

To mark the first anniversary of the TSR, the Commission and its partners developed a national education campaign, “Spread the Word About Telemarketing Fraud.” The centerpiece is an action kit containing background information, a fact sheet, a list of suggested activities that organizations can undertake in support of the initiative, a consumer quiz, a sample press release, sample op-ed and newsletter articles, public service announcements, and a form for ordering additional education materials.

The kit is distributed widely to partners, consumer organizations, the media, and government agencies, and is available on the Web (www.ftc.gov/telemarketing). Partners have carried out a wide range of activities to strengthen and expand the effectiveness of the Partnership and the “Spread the Word” campaign. For example, American Express placed an educational message in its Optima billing statement; the Atlanta Metropolitan Transit Authority has placed public service messages on buses and trains; the Administration on Aging placed a newsletter article that generated wide interest and support among Area Agencies on Aging; Spiegel placed a PSA in several sales catalogs; The Industry Council for Tangible Assets has asked relevant publishers to include articles in newsletters; the International Credit Association is having information about credit fraud incorporated into high-school teachers’ guides; and the Publisher’s Clearinghouse developed an envelope stuffer about sweepstakes fraud.

Additional Consumer Education Partnerships

For “Operation Copycat,” a law enforcement effort focusing on office supply scams, the Office produced a brochure and tip card, directed toward small businesses and nonprofit organizations, the most frequent victims of this scam. These products were distributed to nearly 350 trade and business publications with a combined circulation of 24 million. The Office arranged for the Association of Chamber of Commerce Executives, whose more than 1,500 members

represent approximately 90 percent of the chambers in the United States, to help publicize and

Economic Reports and Working Papers

Federal Trade Commission

ECONOMIC WORKING PAPERS

Economic Working Papers are preliminary, unpublished work products of the Commission, resulting from original research by Bureau of Economics staff, either in connection with ongoing agency activities or as independent analyses, often entailing relatively minor allocations of official time.

The Political Economy of Federal Trade Commission Administrative Decision Making in Merger Enforcement (WP #210), Malcolm B. Coate and Andrew N. Kleit, November 1995.

A Game Theory Model of Celebrity Endorsements (WP #211), Mark N. Hertzendorf, March 1996.

Entry Policy and Entry Subsidies (WP #212), James D. Reitzes and Oliver R. Grawe, April 1996.

ADVOCACY FILINGS

ADVOCACY FILINGS (SUMMARY)

Agency/State	Matter Number	Subject/Issue	Authorization Date
FEDERAL AGENCIES			
Copyright Office	V960014	Open Video Systems Licensing	09/13/96
Federal Communications Commission	V960013	900-Numbers	08/26/96
	V950014	Local Multipoint Distribution Service	08/22/96
	V960009	Open Video Systems	07/15/96
	V960007	Paging License Allocation Procedures	03/18/96
Federal Energy Regulatory Commission	V960008	Merger Standards	05/06/96
Food and Drug Administration	V960001	Direct-to-Consumer Promotion	01/11/96
	V960002	"Pharmaco-Economic" Claims	01/16/96
STATES			

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Staff said that

either warehouse the LMDS license to forestall a third party from coming in and competing, or could raise the price of both services they offer. In general, staff supported the FCC's proposals to adopt a cross-ownership rule that, rather than strictly prohibiting the award of licenses to cable or telephone companies whose service areas overlap the area for the LMDS license, would permit the incumbent cable or telephone service operator to acquire an LMDS license as long as the overlap was no more than a certain percentage of the area. Staff concluded that until such time as effective competition is present in these markets, the acquisition of LMDS spectrum licenses by competing local exchange carriers and cable operators presents potentially significant risks.

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auction, that the license will comply with any FCC transfer restrictions and performance requirements. The Commission further suggested that the application and competitive bidding procedures require that bidding agents and application preparers disclose material information about paging license regulations to the licensee and to all interested parties.

Federal Energy Regulatory Commission: Merger Standards

The staff of the Bureau of Economics filed comments with the Federal Energy Regulatory Commission (FERC) recommending measures to assist in FERC's evaluation of whether electric utility mergers will be anticompetitive and increase costs for consumers. Staff suggested relying on the Horizontal Merger Guidelines, examining actual market concentration and competitive conditions, examining competitive conditions among generation suppliers, and modeling transmission flows. Staff concluded that open access to transmission services should enable increased competition among power generators to benefit consumers through lower rates.

Food and Drug Administration: Direct-to-Consumer Promotions

Commission staff filed comments with the Food and Drug Administration (FDA) in response to a notice of proposed rulemaking concerning its regulation of direct-to-consumer advertising for prescription drugs. Staff suggested that the FDA consider adopting an approach similar to the Commission's Deception Policy Statement and Statement on Advertising Substantiation to assist in evaluating prescription drug advertisements. Staff recommended that limiting current disclosure requirements and adjusting disclosure requirements according to advertising venues could increase the net benefits of direct-to-consumer advertisements. Staff also recommended that the FDA consider alternative means for ensuring consumer access to highly technical information.

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Virginia: Real Estate Settlements

Staff of the Commission and the Department of Justice submitted a joint comment to the Virginia State Bar urging against adoption of the Bar's proposal to prevent non-lawyers and title company attorneys from handling closings of real estate transactions and refinancings. Staff said that the proposal, which would particularly affect consumers who are obtaining home equity loans or refinancing existing real estate loans, would be anticompetitive and would increase costs to consumers by forcing consumers who would not otherwise hire an attorney for a real estate closing to do so and would likely cause the price of lawyers' settlement services to increase, by eliminating competition from lay settlement services. Staff concluded that uninformed consumers could be protected by measures far less anticompetitive than an outright ban on non-lawyer closings.

Washington: Certified Public Accountant Qualifications

Commission staff filed comments with the Washington State legislature on a rule that will require candidates for Certified Public Accountant (CPA) status to earn at least 150 leastt (CP

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