

as modified and supplemented by the accompanying opinion, be, and it hereby is, adopted as the decision of the Commission.

Commissioner Elman dissenting in part and Commissioner MacIntyre not participating.

IN THE MATTER OF
SIMPLIFIED TAX RECORDS, INC., ET AL.

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

Docket 8361. Complaint, Apr. 17, 1961—Decision, May 8, 1962

Consent order requiring a New York City seller of business record-keeping systems, including its "Master Edition", "DeLuxe Edition", and "Standard Edition" systems, to franchised distributors to sell to small business men—who were then entitled to receive various consultation and advisory services as well as sets of forms for recording receipts, expenditures, assets, and other data and, in the case of those purchasing the "Master" and "DeLuxe" systems, to have their tax returns prepared by the company—to cease representing falsely in newspaper advertising and other promotional material the income and profits that purchasers of its distributorships would receive, as well as making a variety of other deceptive claims, as in the order below indicated.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Simplified Tax Records, Inc., a corporation, and William Frankel, also known as William B. Foster and W. F. Foster, individually and as an officer of said corporation, hereinafter referred to as respondents, have violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Simplified Tax Records, Inc., is a New York corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business located at 170 Varick Street in the city of New York, State of New York.

Respondent William Frankel, also known as William B. Foster and as W. F. Foster, is an officer of the corporate respondent. He formulates, directs and controls the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. His address is the same as that of the corporate respondent.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the sale and distribution of products consisting of business recordkeeping systems to distributors who re-sell them to owners and operators of small businesses. The said systems, designated by respondents as "Master Edition", "DeLuxe Edition" and "Standard Edition", when purchased from distributors by owners and operators of small businesses, variously entitle the businessmen purchasers thereof to sets of forms used for the recording of their receipts and expenditures and equipment, property, tax and payroll records.

Purchase of respondents' "Master Edition" of forms entitles the businessman to receive a quantity of forms sufficient to last him one year and entitles him, at the end of each year on submission of properly prepared business data summaries to respondents, to preparation of his tax returns by respondents. Additionally, the businessman may avail himself of a "business consultation service" during the year he uses respondents' "Master Edition". Respondents' distributors sell respondents' "Master Edition" and services to businessmen for \$120.00.

Purchase of respondents' "DeLuxe Edition" of forms entitles the businessman to receive a quantity of forms sufficient to last him two years and entitles him, at the end of each year on submission of

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properly prepared business data summaries to respondents, to preparation of his tax returns by respondents. Additionally, the businessman may avail himself of a consultation and advisory service on tax matters during the two years he uses respondents' "DeLuxe Edition". Respondents' distributors sell respondents' two-year "DeLuxe Edition" and services to businessmen for \$99.50.

Purchase of respondents' "Standard Edition" of forms entitles the businessman to receive a quantity of forms sufficient to last him two years and entitles him to use of respondents' consultation and advisory service on tax matters during the two years he uses respondents' "Standard Edition," but does not entitle him to preparation of any tax returns by respondents. Respondents' distributors sell respondents' two-year "Standard Edition" and services to businessmen for \$79.50.

PAR. 3. In the course and conduct of their business, as aforesaid, respondents cause, and have caused, their products, when sold, to be transported from their place of business in the State of New York to distributors and purchasers thereof located in various other states of the United States. Respondents maintain, and at all times mentioned herein have maintained, a substantial course of trade in said products in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their business as aforesaid, respondents have been and are in substantial competition, in commerce, with corporations, firms and individuals engaged in the sale of products and services of the same general kind and nature as those sold by respondents.

PAR. 5. In the course and conduct of their business as aforesaid, and for the purpose of inducing the sale of their products and services, respondents have engaged, and now are engaged, in the sale of territorial distributorships to persons desirous of being respondents' distributors in the sale of respondents' products and services to businessmen. In furtherance of the course and conduct of their business as aforesaid, respondents have made various statements and representations to prospective distributors concerning the nature and value of distributorships offered for sale and methods of conducting their said business. Such statements and representations have been and are made by means of advertisements published in The New York Times, The Wall Street Journal, The Baltimore Sun, The Richmond Times-Dispatch, The Atlanta Constitution, The Cleveland Plain Dealer, The Detroit News, The Chicago Tribune, The Omaha World Herald, The St. Louis Post Dispatch, The Dallas News, The Rocky Mountain News,

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The Salt Lake City Tribune, the Seattle Post and other newspapers of general circulation throughout the country too numerous to set out herein, all of which newspapers are circulated in areas where respondents do business, and by means of letters, brochures and other promotional and other advertising literature mailed and circulated throughout the country to prospective distributors.

Among and typical, and illustrative, but not all-inclusive, of the statements and representations made, circulated and disseminated to prospective distributors as aforesaid are the following:

i. (By newspaper advertisements):

IF YOU ARE CONSIDERING A BUSINESS OF YOUR OWN AND ARE seeking

- real financial security
- a business of your own with a good steady, high income
- an opportunity to recoup your investment within 6 to 8 months
- a successful business established over 25 years
- a steady renewal business that grows year after year
- freedom from traveling, overhead, labor, credit or warehousing headaches
- the prestige of bank, trade association, and user endorsement
- a business that requires no previous experience

* * * then here is a highly respected, essential business that should provide you with everything you want, including an unusually high income starting the very first year.

If you can qualify with selling, executive, or business experience, can devote full time to your business, and make an inventory investment of \$9,500 to \$14,500 depending on territory, you will be eligible to own outright a prime, highly desirable franchise in a choice area.

We will give you thorough field and home office training at our expense, and assure your success by continuing support.

Please consider this carefully before applying: we want only substantial, dedicated individuals seeking a lifetime career opportunity. Write stating background, address, phone number, and territory preference. If you qualify, a personal interview will be arranged with the company executive covering your territory.

Choice territories available in Milwaukee, Wis. (first time in 5 years); Peoria, Springfield, Ill.; Wichita, Kans.; Cleveland, Toledo, Columbus, Ohio; Detroit, Mich. areas, and various other sections of Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Montana, Nebraska, No. and So. Dakota, Ohio, Wisconsin and Wyoming. Some with a substantial number of repeat active accounts.

Write att. President, Box CL-209, The Wall Street Journal. June 7, 1960.
If You Had Your Pick

Of Any Business . . .

Wouldn't It Be One That:

REQUIRED no experience, no complicated details, no traveling.

EARNED an excellent income at all times regardless of economic conditions.

HAD a repeat business feature that provided a semi-retirement income.

WAS dignified and highly endorsed by government and industry, and established over 25 years.

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SUPPLIED a very necessary product and service . . . vital to its users year after year.

INCLUDED proven successful sales and business aids plus company-paid home-office and field training.

GAVE you an available exclusive territory.

MADE no physical demands upon you.

HERE IS A VALUABLE
BUSINESS OF YOUR OWN
That Meets Each and Every
One of These Requirements
IN ATLANTA AND
SURROUNDING AREA

* * * AND all it requires is ambition with an investment of \$9,500 to \$14,500 (normally recouped within 6 to 8 months). Find out more about this unusual full-time business that has everything you could ask for. Write us today, with a brief resume about yourself, including phone number.

WRITE BB, 269, Journal-Constitution. January 10, 1960.

A BUSINESS OF YOUR OWN With Unusual Repeat Features . . .

We have a highly respected essential business that should provide you with unusually high income the first year. A business that can earn a semi-retirement income in renewals alone in 2 to 3 years. Not seasonal, not dependent on economic conditions. Endorsed by banks, trade associations, thousands of users. No overhead, warehousing, credit or labor costs. A trouble-free business that yields exceptional income year after year. Established over 25 years.

We give you the benefit of a thorough field training as well as training at our home office (expenses paid by us) and keep a continuing supervisory interest in your operation.

If you have a spark of salesmanship and/or executive ability an investment of \$9,500 to \$14,500 (usually recouped in 6 to 8 months) will place you in a position to own outright a prime highly desirable franchise in a choice area. PLEASE CONSIDER THIS CAREFULLY BEFORE APPLYING: This is no gimmick or gadget operation, but a dignified business, highly endorsed. We want only dedicated individuals who can and are willing to devote full time to the success of their franchises. While stating background, give address and phone number and territory preference. If qualified, a personal interview at our home office (expenses paid by us) will be arranged.

Choice territories available in Dallas, San Antonio, Austin, Tyler and other choice areas in Texas, Oklahoma, Louisiana, several with a substantial number of repeat active accounts. Write Box 114-C, Dallas News. January 31, 1960.

Let 300 Successful
Businessmen Tell You
How You, Too, Can Own
This High-Income
Business

From Maine to California, for over 25 years, owners of this successful business have been earning five-figure incomes—plus enjoying additional semi-retirement income. We'll be glad to have you talk to them direct—let them be the ones to explain to you how you may join their ranks as an independent, respected, prosperous business distributor.

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None of them had previous experience in this field, but our company-paid home office and field training and continuing support has assured their success. The business is unaffected by economic conditions and has the enthusiastic approval of government and industry. It has the further advantages of requiring no labor or overhead costs, and no physical exertion or traveling. All you need is your executive or sales ability, and your full time devotion to its success.

Your investment cost is \$9,500, depending on territory. This may be recouped within 6 to 8 months. * * * Rocky Mountain News, March 13, 1960.

Here Is An Exceptional Business Opportunity

This opportunity is for men of courage, foresight, diligence and intelligence in one of the most profitable and fastest growing fields in America—with net profit the first year usually exceeding investment. A trouble-free business that also yields exceptional income year after year from repeat business alone. No travelling, warehousing or labor costs. * * *
The Wall Street Journal, May 26, 1959.

VALUABLE
DISTRIBUTORSHIP
CHOICE AREAS
AVAILABLE

JACKSONVILLE & SURROUNDING AREAS

Available to high calibre men with unquestionable integrity to handle products and service indorsed by banks, credit men's associations, C of C's throughout nation. Largest company of its kind in the world. Established over 24 years. Those accepted will own an exclusive territory and become part of our nationwide organization. Continued access to our many departments and staff. You avoid all overhead. Applicants must be able to make cash investment of \$9,500 covered by inventory and be prepared to start 10 day training period within 60 days. Full time basis only. Not suitable to add to other lines. Five figure earnings first year. If you are serious about seeking a fine highly productive headache-free repeat business of your own, write giving as much information as possible about yourself. Include phone number. You will be granted interview by a member of our executive staff. Write, Attention President, Box A-38, Times-Union & Journal.

The (Jacksonville) Florida Times-Union, October 4, 1959.

* * * over 300 Distributors in 49 states. * * *

Richmond Times-Dispatch, March 27, 1960.

* * * PLEASE CONSIDER THIS CAREFULLY BEFORE APPLYING:

This is no gimmick or gadget operation, but a dignified business, highly endorsed, with over 300 successful distributors nationally * * *.

The Wall Street Journal, April 19, 1960.

CHOICE AREAS

Available

MEMPHIS

* * *

The Memphis Commercial Appeal, September 13, 1959.

* * * earn a substantial, ever-increasing income, year after year.

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Repeat business * * * assures a valuable equity growth and builds a semi-retirement income in as few as 2 to 3 years.

The Wall Street Journal, June 14, 1960.

* * * You can realize high earnings the very first year and enjoy a greatly increased semi-retirement income from renewals alone within 2 years. * * *

The New York Times, September 13, 1959.

* * * recommended by * * * government agencies.

The Wall Street Journal, January 21, 1960.

2. (By form letter) :

* * * Tax preparation and business advisory services are performed at the Home Office. Our Distributors function is to sell Systems * * *.

Exclusive Territory protected by a negotiable Sales Franchise agreement. * * * Every territory allocated is large enough to permit the Distributor to profit from the efforts of one or more sub-distributors working under him. * * *

* * * this is a valuable permanent business affiliation * * *.

3. (By personal letter) :

* * * It has been our experience with all men that their investment had been recovered in approximately six to seven months. * * *

4. (By brochure) :

SIMPLIFIED TAX RECORDS

*offers its subscribers a
guaranteed comprehensive
program, called the*

MASTER PLAN

A TROUBLE-FREE BUSINESS

No * * * financing, no accounts receivable, no delinquent credit * * *.

IT'S NON-COMPETITIVE * * * You have no competition.

Once you have made the sale and introduced the subscriber to our services, practically all your work is ended. You are free to spend time building new business. Everything else is taken care of by the PARENT ORGANIZATION!

* * *

WHEN YOU MAKE A SALE, YOU SIMPLY SHOW THE SUBSCRIBER HOW TO USE THE SYSTEM . . .

ACTUAL TAX PREPARATION AND TAX QUESTIONS ARE HANDLED DIRECT, FROM THE PARENT COMPANY . . . * * *.

THE GROWTH POTENTIAL

of a Simplified distributorship

A CONSTANTLY EXPANDING BUSINESS

In a few years it can start working "for you" and give you a lucrative ever-increasing income. The growth possibilities are extraordinary. You establish for yourself hundreds of friendly subscribers, who create for you a permanent, ever-increasing, steady income through the renewal of our System Service every twelve months. It is a constantly increasing income, since you are continually adding new Subscribers, who in turn keep renewing.

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SCHEDULE OF COST AND POTENTIAL PROFIT

(Based on new Simplified MASTER PLAN program)

These figures are based on a conservative 50% renewals. However many of our Distributors report up to 82% renewals.

Distributor's Profit From Personal Sales for each subscription..... \$58 Distributor's Override from Sub-Distributors for each subscription..... \$15 Cost to subscriber for 1 year..... \$120

	From Personal Sales	From Sub-Distributor Over-Ride for each sub-distributor working for you	Your Yearly Total Income
First year.....	200 new sales @ \$58 profit ea. \$11,600	200 new sales @ \$15 each over-ride..... \$3,000	\$14,600
Second year.....	200 new sales @ \$58..... \$11,600 100 renewals @ \$58..... 5,800 TOTAL FROM PERSONAL SALES..... \$17,400	200 new sales @ \$15..... \$3,000 100 renewals @ \$15..... 1,500 TOTAL FROM OVER-RIDE..... \$4,500	\$21,900
Third year.....	200 new sales @ \$58..... \$11,600 100 renewals (1st Yr.) @ \$58. 5,800 100 renewals (2nd Yr.) @ \$58..... 5,800 TOTAL FROM PERSONAL SALES..... \$23,200	200 new sales @ \$15..... \$3,000 100 renewals (1st Yr.) @ \$15..... 1,500 100 renewals (2nd Yr.) @ \$15.. 1,500 TOTAL FROM PERSONAL SALES..... \$6,000	\$29,200

SECURITY

You are the boss * * * free from the fear of being discharged because of employers' whims, relatives, cut-downs, personality conflicts or lack of appreciation of your efforts. * * *

In response to inquiries induced by such advertisements, letters and literature, respondents or their employees, agents or representatives call upon members of the public initiating such inquiries, and then make oral representations repetitive or elaborative of and in addition to those contained in the aforementioned printed materials.

PAR. 6. Through the use of the aforesaid statements and representations set out and referred to in paragraph 5, above, respondents have represented, directly or by implication to the purchasing public:

1. That they were selling valuable distributorships which enabled the purchasers thereof to earn a substantial income that increased yearly.

2. That respondents had over three hundred (300) successful distributors.

3. That the sale of distributorships by respondents conferred outright ownership thereof on the purchasing distributors and created permanent business affiliations between respondents and distributors.

4. That the purchase price of distributorships would be recovered by distributors in six (6) to eight (8) months.

5. That protection against loss of the purchase price or any part of the purchase price of distributorships was provided by the inventory of record-keeping systems furnished with said distributorships.

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6. That no less than ten thousand dollars (\$10,000) would be earned by the purchasers of distributorships in the first year of their operation, and that the typical net profits earned in the first year by respondents' other distributors had exceeded the amount of the distributorship purchase prices.

7. That the potential of sales of respondents' record-keeping systems and services by franchised distributors to purchasers thereof warranted such distributors' employing subdistributors; that the additional net income derived by each of such distributors from such subdistributor sales would likely be three thousand dollars (\$3,000) the first year of operation, four thousand five hundred dollars (\$4,500) the second year, and six thousand dollars (\$6,000) the third year; and that the total net profit to the distributor, when combining the profit made through his own sales efforts with that resulting from sub-distributor sales, would likely amount to fourteen thousand, six hundred dollars (\$14,600) in the first year of operation, twenty-one thousand, nine hundred dollars (\$21,900) the second year, and twenty-nine thousand, two hundred dollars (\$29,200) the third year.

8. That distributors were assured of the growth of valuable equities in their businesses, which would provide semi-retirement income in two (2) to three (3) years.

9. That distributors could devote their time exclusively to making sales, with respondents attending to all other phases of operations.

10. That distributors incurred no costs in connection with the extension of credit to purchasers of respondents' record-keeping systems and services.

11. That the sale of respondents' systems and services entailed no financing and no holding of accounts receivable by distributors.

12. That distributors would encounter no competition in the sale of respondents' record-keeping systems and services.

13. That the successful operation of distributorships required no travel on the part of distributors.

14. That respondents' record-keeping systems and services had the enthusiastic approval of, and were highly endorsed and recommended by the federal and state governments.

PAR. 7. The aforesaid statements and representations were and are false, misleading and deceptive. In truth and in fact:

1. The distributorships which respondents have sold have been of little value to many purchasers thereof, the income earned therefrom by a great many distributors being insubstantial and in many instances insignificant in comparison with the distributors' investments.

and many of the distributorships sold failed to provide incomes to purchasers thereof that increased yearly.

2. Respondents did not and do not have as many as three hundred (300) distributors, and all of the actual number of distributors have not been and are not successful in selling respondents' record-keeping systems and services.

3. By the terms of the contracts negotiated by respondents and their distributors, respondents could, and can, absolutely cancel and terminate the distributorship agreements with the purchasers thereof seven (7) months after the beginning dates of the said distributorships for failure to meet sales quotas contractually required, and in any event all distributorships sold were terminated or will terminate two (2) years after said beginning dates subject to renewal for additional two (2) year periods on respondents' own terms. The business affiliations between respondents and their distributors have been and are of an impermanent nature, only a small minority of all current distributors having maintained affiliation with respondents for longer than three (3) years.

4. Many purchasers of respondents' distributorships have not recovered the purchase price of their distributorships in six (6) to eight (8) months, or in any longer period of time that they performed as distributors for respondents.

5. Distributors of respondents' systems have not been and are not now protected from the loss of substantial proportions of the purchase prices paid to respondents in the event distributors should be unsuccessful in selling all of the inventory of systems furnished with distributorships, or in the event that because of illness or for other reason distributors should wish to terminate their relationships with respondents, or in the event that respondents should elect, as they have numerous times, to cancel distributorships before inventories were sold out. It has been and is now respondents' practice, in the occurrence of such events, to buy back systems inventories at prices that have not and will not equal the amounts paid by distributors for their distributorships.

6. Ten thousand dollars (\$10,000) has not been earned in the first year of their operations by distributors of respondents' systems, and such an amount is not typical of first year earnings by distributors. Seldom, if at all in recent years, has any distributor of respondents' systems earned net profits in the first year of his operations in an amount which exceeded the amount paid by him to respondents for his distributorship.

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7. Sales records established by numerous distributors demonstrate that the claimed potential for employment of sub-distributors was not warranted, and many distributors have found and are now finding that the employment of sub-distributors was and is economically not feasible; distributors' earnings have not been and are not typically augmented by income derived from sub-distributor sales in the amounts of three thousand dollars (\$3,000) in the first year of operation, four thousand five hundred dollars (\$4,500) in the second year, and six thousand dollars (\$6,000) in the third year; and seldom, if ever, has any distributor earned net profits, through his own efforts combined with those of subdistributors, which amounted to fourteen thousand, six hundred dollars (\$14,600) in the first year of operation, twenty-one thousand, nine hundred dollars (\$21,900) the second year, and twenty-nine thousand, two hundred dollars (\$29,200) the third year.

8. Distributors have not been and are not now assured of the growth if equities which would provide semi-retirement income in two (2) to three (3) years. In many cases where distributorships have been cancelled by respondents, respondents required distributors to sign releases discharging respondents from all claims the said distributors might have had against respondents.

9. Distributors have been and are now required as part of their responsibilities as distributors to perform many services of a time-consuming nature for their customers to whom they have sold respondents' systems and services, and such distributors as a result thereof have been and now are unable to devote their time exclusively to attempting to make sales.

10. Many of respondents' systems and services have been and now are sold by distributors to purchasers thereof on an installment plan of purchase. For distributors to utilize such plan a cost has been and is imposed on them as the result of an arrangement made by respondents with a financing agency which assumes the responsibility of making collections from distributors' customers.

11. In order to make sales of some types of respondents' record-keeping systems, many distributors have found that it has been necessary for them to finance such sales by extending credit to customers, resulting in distributors' holding accounts receivable amounting, in some instances, to thousands of dollars.

12. Distributors have encountered and now encounter competition in the sale of respondents' systems and services, from dealers in similar systems and services, and from bookkeepers and accountants located in the communities where distributors have attempted to make sales.

13. Distributorships may, and often do, embrace an area of several counties. Sales to prospective customers cannot be accomplished under such circumstances without travel on the part of distributors.

14. Respondents' systems and services have not been and are not now approved, endorsed or recommended by the federal or state governments or any agencies thereof.

PAR. 8. The use by respondents of the aforesaid false, misleading and deceptive statements, representations and practices has had, and now has, the capacity and tendency to mislead prospective distributors into the erroneous and mistaken belief that said statements and representations were and are true and into the purchase of substantial numbers of respondents' distributorships and systems. As a consequence thereof, substantial trade in commerce has been, and is being, unfairly diverted to respondents from their competitors and substantial injury has thereby been, and is being, done to competition in commerce.

PAR. 9. The aforesaid acts and practices of respondents, as herein alleged, were and are all to the prejudice and injury of the public and of respondents' competitors and constituted, and now constitute, unfair and deceptive acts and practices and unfair methods of competition in commerce, within the intent and meaning of the Federal Trade Commission Act.

DECISION AND ORDER

This matter having come on to be heard by the Commission upon a record consisting of the Commission's complaint charging the respondents named in the caption hereof with violation of the Federal Trade Commission Act and an agreement by and between respondent Simplified Tax Records, Inc., a corporation, and its attorney, and counsel supporting the complaint, which agreement contains an order to cease and desist, an admission by said respondent of all the jurisdictional facts alleged in the complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission that it has violated the law as alleged in the complaint, and waivers and provisions as required by the Commission's rules; and which agreement, among other things, further provides for dismissal of this proceeding as to respondent William Frankel, deceased; and

The Commission having considered said agreement and the affidavits made a part of such agreement; and the Commission having determined that the agreement provides an adequate basis for appropriate disposition of the proceeding, the agreement is hereby accepted, the

following jurisdictional findings are made, and the following order is entered:

1. Respondent Simplified Tax Records, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business located at 170 Varick Street, in the city of New York, State of New York.

2. The Federal Trade Commission has jurisdiction herein and this proceeding is in the public interest.

ORDER

It is ordered, That respondent Simplified Tax Records, Inc., a corporation, and its officers, and respondent's agents, representatives and employees, directly or through any corporate or other device, in connection with the offering for sale, sale or distribution of business record-keeping systems in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist representing, directly or indirectly, to prospective distributors of such systems:

1. That purchasers of respondent's distributorships are assured of earning substantial incomes that will increase yearly.

2. That respondent has any specified number of distributors not in accordance with fact, or that any number of distributors are successful not in accordance with fact.

3. That the sale of distributorships confers permanent ownership thereof on the purchasers or that a permanent business affiliation between the parties is created by such sale, without disclosing that the permanency of such ownership or affiliation is dependent on purchasers' complying with requirements set out in franchise agreements.

4. That distributors are assured of recovering the purchase price of distributorships in six (6) months, eight (8) months, or any other specified period of time.

5. That the net profit of a new distributor in his first year of operation will exceed the amount paid by him to respondent for his distributorship, or that any distributor is assured of earnings amounting to ten thousand dollars (\$10,000) in his first year of operation.

6. (a) That distributors customarily or typically employ subdistributors.

(b) That distributors employing sub-distributors are assured of deriving additional net income in the amount of three thousand dollars (\$3,000) during the first year of operation, four thousand five

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hundred dollars (\$4,500) the second year, or six thousand dollars (\$6,000) the third year.

(c) That distributors employing sub-distributors will realize a combined profit through their own sales efforts with that resulting from sub-distributors' sales of fourteen thousand six hundred dollars (\$14,600) in the first year of operation, twenty-one thousand nine hundred dollars (\$21,900) the second year, or twenty-nine thousand two hundred dollars (\$29,200) the third year.

7. That profits or earnings to be realized by distributors or to be derived by distributors from sales by sub-distributors will be any amounts in excess of the average earnings or profits in fact being realized or derived by all of respondent's distributors similarly engaged in selling respondent's systems and services; provided, however, that nothing herein shall prohibit the respondent from representing that qualified persons may, during given periods of time, realize or derive earnings or net profits at levels or in amounts exceeding those typically realized or derived by respondent's distributors, if such higher stated levels or amounts in fact have been realized or derived by distributors of respondent in the regular course of business during similar periods of time, and respondent clearly and conspicuously discloses in immediate conjunction therewith the average earnings or profits in fact being realized or derived by all of respondent's distributors similarly engaged in selling respondent's systems and services.

8. That distributors are assured of the growth of valuable equities in their distributorships, or that semi-retirement income will be provided by said distributorships in two (2) to three (3) years.

9. That distributors will be able to devote their time exclusively to making sales.

10. That distributors incur no costs in connection with the extension of credit to purchasers of respondent's systems and services.

11. That the sale of respondent's systems and services will entail no financing or holding of accounts receivable by distributors.

12. That distributors will encounter no competition in the sale of respondent's systems and services; provided, however, that nothing herein shall prohibit respondent from representing that it is the only one in its field which furnishes a business advisory service to customers, if such be the fact.

13. That the operation of distributorships will require no travel on the part of distributors; provided, however, that nothing herein shall prohibit respondent from representing that no overnight travel is required.

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14. That respondent's systems or services are approved, endorsed or recommended by the federal government or a state government, or any agency thereof; provided, however, that nothing herein shall prohibit respondent from stating, when such is the fact, that employees of state governments or agencies thereof have approved, endorsed or recommended the same in their individual capacities.

It is further ordered, That the allegations of the complaint insofar as they relate to respondent William Frankel, deceased, be, and the same hereby are, dismissed.

It is further ordered, That paragraph six (5) of the complaint be, and the same hereby is, dismissed.

It is further ordered, That the respondent Simplified Tax Records, Inc., shall, within sixty (60) days after service upon it of this order, file with the Commission a report in writing setting forth in detail the manner and form in which it has complied with this order.