

Complaint

93 F.T.C.

IN THE MATTER OF
ART INSTRUCTION SCHOOLS, INC., ET AL.

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

Docket C-2949. Complaint, Jan. 10, 1979 — Decision, Jan. 10, 1979

This consent order, among other things, requires a Minneapolis, Minn. firm, engaged in the formulation and sale of home study courses, its subsidiary, Art Instruction Schools, Inc. (AIS), and its New York City advertising agency to cease misrepresenting the need or demand for AIS graduates; and the employment opportunities, potential earnings, and job placement assistance available to graduates. The order further prohibits misrepresentations relating to student selectivity; quality of art courses; additional costs; and penalties incurred by non-completing enrollees. The order also requires that prospective students be provided with prescribed information relating to the job success of former enrollees, and informed of their cancellation rights. Additionally, the companies must make proper restitution to former students; maintain particular records; and institute a surveillance program designed to insure compliance with the terms of the order.

Appearances

For the commission: *Alice S. Perlin.*

For the respondents: *Micheal F. Sullivan, Gray, Plant, Mooty & Anderson, Minneapolis, Minn.*

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 Bureau of Engraving, Inc., a corporation, Art Instruction Schools, Inc., a corporation, and Bozell & Jacobs, Inc., a corporation, hereinafter sometimes 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 Bureau of Engraving, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Minnesota with its principal office and place of business located at 500 South Fourth St., Minneapolis, Minnesota.

Respondent Art Instruction Schools, Inc., (hereinafter sometimes referred to as "AIS"), is a corporation organized, existing and doing business under and by virtue of the laws of the State of Minnesota, with its principal office and place of business located at 500 South

Fourth St., Minneapolis, Minnesota. It is a wholly-owned subsidiary of respondent Bureau of Engraving, Inc.

Respondent Bozell & Jacobs, Inc. is a corporation organized and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business at One Dag Hammarskjold Plaza, New York, New York.

PAR. 2. Respondent Art Instruction Schools, Inc. is now and for some time last past has been engaged in the formulation, development, promotion, offering for sale, sale, and distribution of courses of instruction to the public. Said respondent, through its own salesmen and sales representatives, have induced members of the general public to enroll in its courses of instruction.

Said respondent places into operation and implements a sales program whereby members of the general public, by means of advertisements placed in broadcast and printed media of general circulation, and by means of brochures, pamphlets and other promotional literature disseminated through the United States mail or by other means, and through the use of salesmen and sales personnel, and by means of statements, representations, acts and practices as hereinafter set forth are induced to sign contracts or enrollment agreements for a course of home study instruction for a stated cost.

Respondent Bureau of Engraving, Inc. indirectly benefits from sales made by Art Instruction Schools, Inc. and derives substantial income therefrom. Bureau of Engraving, Inc. further knew or had reason to know of the activities engaged in by AIS and its employees.

PAR. 3. Respondent Bozell & Jacobs, Inc. has been and is now the advertising agency for Art Instruction Schools Inc., and has prepared and placed for publication and broadcast, and caused the dissemination of, advertising material, including but not limited to advertising as hereinafter set forth to promote the sale of respondent AIS' courses of instruction.

PAR. 4. In the course and conduct of their business as aforesaid, respondents have disseminated and caused the dissemination of certain advertisements concerning their courses of instruction by various means in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, as amended, including, but not limited to, advertisements inserted in newspapers and magazines of interstate circulation, and by means of commercial announcements over television transmitted across state lines, and by means of brochures, pamphlets and other promotional materials disseminated through the United States mail, for the purpose of obtaining leads or prospects for the sale of such courses of instruction, and for the

purpose of inducing the purchase of such courses of instruction. Each of said respondents' volume of business in commerce is substantial.

Respondent Art Instruction Schools, Inc., from its principal place of business located in Minnesota, utilizes the services of sales representatives and causes said sales representatives to visit prospective purchasers located in various other States of the United States who respond to respondents' advertisements and commercial announcements for the purpose of inducing the purchase of such courses of instruction by such prospective purchasers.

Respondents transmit and receive and cause to be transmitted and received, in the course of advertising, offering for sale, sale and distribution of such courses of instruction, advertising and promotional materials, sales contracts, invoices, billing statements, checks, monies and other business papers and documents, to and from their principal places of business operated by said respondents located as aforesaid and to prospective purchasers 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 or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, as amended.

PAR. 5. In the course and conduct of Art Instruction Schools, Inc.'s aforesaid business for the purpose of obtaining leads or prospects for the sale of such courses of instruction, and for the purpose of inducing members of the general public to purchase such courses of instruction, respondents Art Instruction Schools, Inc. and Bozell & Jacobs, Inc. have made numerous statements and representations in newspaper advertisements, television commercials, brochures, and other printed materials and sales aids and through oral sales presentations made by respondent AIS' salespersons and other representatives, with respect to employment opportunities, salaries available, placement assistance and other benefits available to students who complete respondent AIS' courses of instruction. The following are typical and illustrative of the aforesaid statements and representations, but not all inclusive thereof:

A. Magazine and newspaper advertisements:

YOU BE THE JUDGE

Have you ever thought an art career is the career for me? Do you sometimes doodle or draw? If so, you may have the talent for a profitable and exciting career in art . . . make up your mind whether or not you want to learn more about the great opportunities in the art field, . . . We'll send you a copy of your free Art Talent Test. It's colorful, interesting and it may lead to a rewarding and challenging art career.

B. Television advertisements:

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... In a moment I'll tell you how to find out, *Free*, if you have the basic talent needed to help you become a successful working artist. Here are just a few fields where good artists are usually needed. Advertising, Calendar Art, Fashion Illustration, Greeting Card Design, Magazine Illustration, Motion Picture Art, Newspaper Cartooning, Television Art . . . New talent is welcome in the art field. . . .

C. Video Tape Sales Aid:

... We've been training commercial artists since 1914 . . . we already know some important things about *you*. We've seen your art work. We know of your interest in art. In fact, *if we didn't think you have something special we wouldn't be here*. . . .

D. Statements from Letters, Pamphlets and Brochures:

... This may be your big opportunity to take that first step toward being a successful advertising artist, illustrator, painter or cartoonist. The enclosed brochures tell of the success of just two of our well known former students — Charles Schultz, creator of the famous "Peanuts" cartoon strip, and Les Kouba, successful wildlife illustrator.

Our artist appraiser feels that you have artistic ability which should be trained . . . we would not encourage any person to invest in our practical art training unless we were convinced that he had the desire and determination to succeed in this expanding and interesting profession. . . .

E. Oral Statements by Sales Representatives:

AIS students encounter little difficulty obtaining employment as artists in the field of commercial art.

* * * * *

AIS graduates are entitled to life time job placement in the field of commercial art.

* * * * *

AIS graduates earn salaries between \$15,000 - \$25,000 annually.

PAR. 6. By and through the use of the aforementioned statements and representations, and others of similar import and meaning, but not expressly set out herein, respondents represent or have represented directly or by implication, that:

1) Respondent AIS provides a placement service which will secure jobs for its graduates who want to work in the field of art or related areas.

2) The courses of instruction offered by respondent AIS are equivalent to studio art courses offered by accredited colleges or universities.

3) The total enrollment fee as listed on respondent AIS' Enroll-

ment Agreement includes the cost of all books, supplies and materials that students will have to bear.

4) Students of AIS may withdraw from or cancel courses of instruction at any time without paying additional monies or charges.

5) Prospective students of AIS must enroll at the time of the sales representative's visit or they will lose their opportunity for acceptance into the courses of instruction.

PAR. 7. In truth and fact:

1) No placement service is provided by respondent AIS for its graduates who want to secure jobs in the field of art or related areas.

2) The courses of instruction offered by respondent AIS are not substantially equivalent to studio art courses offered by accredited colleges and universities.

3) The total enrollment fee as listed on respondent AIS' Enrollment Agreement does not include the total cost of all books, supplies and materials that students will have to bear.

4) Students of AIS may not withdraw from or cancel courses of instruction at any time without paying additional monies or charges, but are bound to the terms of the Withdrawal provisions of the Enrollment Agreement.

5) Prospective students of AIS will not lose their opportunity for acceptance into the courses of instruction if they do not enroll at the time of the sales representative's visit, and are free to enroll at any future date.

Therefore, the statements and representations in Paragraphs Five and Six hereof were and are, false, misleading, unfair or deceptive acts or practices.

PAR 8. In the further course and conduct of its business of selling or inducing the sale of said courses of instruction, as aforesaid, and by means of the statements and representations set out in Paragraphs Five and Six hereof, respondents made the following additional statements and representations, directly or indirectly, to prospective students in said courses of instruction:

1) Respondent AIS is very selective and will only accept applications for its courses of instruction that have artistic talent and ability.

2) Respondent AIS had a reasonable basis from which to conclude that there is now or will be a significant or substantial need or demand in the field of art for persons who complete its courses of instruction.

3) AIS graduates who want to work will experience little or no

difficulty in securing employment in positions in the field of art after graduating from said courses.

4) AIS graduates will be qualified thereby for employment in the field of art without further training or experience.

5) Respondent AIS had a reasonable basis from which to conclude that its graduates earn \$15,000 to \$25,000 annually or any other stated amount in the field of art.

PAR. 9. In truth and in fact:

1) Respondent AIS is not selective in accepting applicants for their courses of instruction, imposing few qualifications on prospective enrollees and accepts most persons for enrollment in such courses who are willing to execute a contract and pay the required tuition for the course of training.

2) Respondent AIS had no reasonable basis from which to conclude that there is now or will be a significant or substantial need or demand in the field of art for persons who complete its courses of instruction.

3) AIS graduates who want to work have in many instances experienced substantial difficulty in securing employment in positions in the field of art.

4) AIS graduates are not qualified thereby for employment in the field of art without further training or experience.

5) Respondent AIS had no reasonable basis from which to conclude that its graduates have earned or can earn \$15,000 to \$25,000 annually or any other stated amount in the field of art.

Therefore, the statements and representations set forth in Paragraphs Five and Eight hereof were and are, false, misleading, unfair, or deceptive acts or practices.

PAR. 10. Through the use of the aforesaid advertisements, television commercials, brochures, pamphlets, oral representations and otherwise, respondent Art Instruction Schools, Inc. has represented directly or by implication, that there is or will be a significant or substantial need or demand for all or most graduates of respondent AIS in positions for which they are trained; and that graduates of respondent AIS are placed in jobs and earn \$15,000 to \$25,000 annually or other stated amounts in the field of art. Respondent had at the time of said representations no reasonable basis adequate to support the representations. Therefore, the aforesaid acts and practices were and are, unfair acts or practices.

PAR. 11. In the further course and conduct of its business and in the furtherance of its purpose of inducing students to pay delinquent accounts, respondent AIS has sent to its students collection letters

stating that failure to pay the amount claimed as owing within a stated period of time will result in immediate legal action. To the contrary, no lawsuit has ever been filed to collect a delinquent account on a student's failure to pay upon receipt of such a letter. Therefore, said statements and representations made by respondents were and are unfair, false, misleading or deceptive acts or practices.

PAR. 12. In the course and conduct of its aforesaid business, and at all times mentioned herein, respondent Art Instruction Schools, Inc. has offered, and is now offering for sale courses of instruction purporting to prepare purchasers thereof for positions in the field of art without disclosing in advertising or through their sales representatives: (1) the recent percentage of persons who have completed the courses of instruction who were able to obtain the employment for which they were trained; (2) the salary any such persons can earn; and (3) the percentage of recent enrollees of each course offered that have failed to complete their course of instruction. Knowledge of such facts by prospective purchasers of courses of instruction of respondents AIS would indicate the possibility of securing future employment upon completion of the courses, and the nature of such employment. Thus, said respondent has failed to disclose a material fact which, if known to certain consumers, would be likely to affect their consideration of whether or not to purchase such courses of instruction. Therefore, the aforesaid acts and practices were and are, false, misleading, deceptive or unfair acts or practices.

PAR. 13. In the further course and conduct of its business and in the furtherance of its purpose of enrolling students in its courses of instruction, respondents have advertised free Art Talent Tests and sponsored periodic drawing contests without disclosing that their primary purpose was to obtain leads to prospective students who could be visited by respondent AIS' sales representatives and induced to enroll in an \$845 home study art course. Therefore, the aforesaid acts and practices are deceptive or unfair.

PAR. 14. By and through the use of the aforesaid acts and practices, respondents place in the hands of others the means and instrumentalities by and through which they may mislead and deceive the public in the manner and as to the things hereinabove alleged.

PAR. 15. In the course and conduct of their business, and at all times mentioned herein, respondents Bureau of Engraving, Inc. and Art Instruction Schools, Inc. have been and are now in substantial competition, in commerce, with corporations, firms, and individuals engaged in the sale of courses of instruction covering the same or similar subjects.

In the course and conduct of its business, and at all times

mentioned herein, respondent Bozell & Jacobs, Inc. has been and is now in substantial competition in commerce, with corporations, firms and individuals engaged in the advertising of home study schools' courses of instruction covering the same or similar subjects.

PAR. 16. The use by respondents of the aforesaid false, misleading, unfair or deceptive statements, representations, acts and practices and their failure to disclose material facts as aforesaid has had, and now has, the tendency and capacity to mislead and deceive a substantial portion of the purchasing public into the erroneous and mistaken belief that said statements and representations were, and are, true and complete, and induce a substantial number thereof to purchase courses of instruction from respondent AIS by reason of said erroneous and mistaken belief.

PAR. 17. The aforesaid acts and practices of respondents Bureau of Engraving, Inc., Art Instruction Schools, Inc., and Bozell & Jacobs, Inc., as herein alleged, were and are all to the prejudice and injury of the public and said respondents' competitors and constituted, and now constitute, unfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce, in violation of Section 5 of the Federal Trade Commission Act, as amended.

DECISION AND ORDER

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

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

The Commission having hereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, that the complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record

for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Bureau of Engraving, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Minnesota with its principal office and place of business located at 500 South Fourth St., Minneapolis, Minnesota.

Respondent Art Instruction Schools, Inc., (hereinafter sometimes referred to as AIS), is a corporation organized, existing and doing business under and by virtue of the laws of the State of Minnesota, with its principal office and place of business located at 500 South Fourth St., Minneapolis, Minnesota. It is a wholly-owned subsidiary of respondent Bureau of Engraving, Inc.

Respondent Bozell & Jacobs, Inc. is a corporation organized and doing business under and by virtue of the State of Delaware, with its principal office and place of business at One Dag Hammarskjold Plaza, New York, New York.

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

ORDER

I

It is ordered, That respondents, Bureau of Engraving, Inc., and Art Instruction Schools, Inc., hereinafter sometimes referred to as "AIS", their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division or other device, in connection with the advertising, offering for sale, sale or distribution of courses of study, training or instruction in the field of art or in any other subject, trade or vocation in or affecting commerce as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing, orally, visually, in writing or in any other manner, directly or by implication that:

(A) A placement service is provided which will or may secure a position in the field of art for graduates of respondent AIS courses of instruction;

(B) Respondent AIS courses of instruction are equivalent to college level art courses in specialized studio art subjects offered by accredited colleges or universities;

(C) Respondent AIS students are not contractually bound, or by

the nature of the course not required, to bear any expenses or costs in addition to those set out in the enrollment agreement or is otherwise stated prior to enrollment;

(D) Respondent AIS students will be entitled to withdraw from the courses of instruction without having to adhere to the withdrawal payment schedule contained in the contract or without paying any undisclosed charges in addition thereto;

(E) Respondent AIS prospective students must enroll at the time of the sales representative's visit, or that they will have no other opportunity to enroll.

2. Misrepresenting orally, visually, in writing or in any other manner, directly or by implication:

(A) That enrollees in respondent AIS courses of art instruction will be required to qualify under highly selective procedures, or that enrollment is limited or that other significant limiting criteria are applicable;

(B) (i) that there is a great need or great demand or need or demand of any size for persons completing any of AIS courses of instruction;

(ii) that AIS graduates will experience little or no difficulty in securing employment in positions for which they were trained; or

(iii) the employment or earning prospects of AIS graduates in positions for which they have been trained;

(C) That graduates of respondent AIS will be qualified thereby for full or part time positions in the field of art utilizing their artistic skills without further training or experience;

(D) That respondents will initiate legal action against delinquent students.

3. Failing to furnish written notice to the person to be contacted, prior to initial contact by a sales representative, that a sales representative of respondent AIS may contact persons who respond to the free Art Talent Tests or drawing contests.

4. Failing orally to direct each prospective enrollee's attention, at the time he or she signs a contract or agreement for the sale of any course of instruction to the provisions of the contract or agreement which set forth his or her contractual right to cancel.

5. Making any representations of any kind whatsoever, which are not already proscribed by other provisions of this order, in connection with the advertising, promoting, offering for sale, sale or distribution of courses of study, training or instruction in the field of art, or any other course offered to the public in any field in

commerce, for which representation respondent AIS has no reasonable basis prior to the making or dissemination thereof.

6. *It is further ordered*, That respondent Bozell & Jacobs, Inc., a corporation, its successors and assigns and its officers, agents, representatives and employees, directly or through any corporation, subsidiary, division, franchise or other device on behalf of AIS in connection with the advertising, promoting, offering for sale, sale or distribution of courses of study, training or instruction in the field of art or any other subject, trade or vocation or of any other product or service in or affecting commerce as "commerce" is defined in the Federal Trade Commission Act, as amended, do forthwith cease and desist from:

(A) Misrepresenting orally, visually, in writing or in any other manner, directly or by implication, that;

(i) enrollees in respondent AIS courses of art instruction will be required to qualify under highly selective procedures, or that enrollment is limited or that other significant limiting criteria are applicable;

(ii) graduates of respondent AIS will be qualified thereby for full or part time positions in the field of art utilizing their artistic skills without further training or experience;

(iii) there is a great need or great demand or need or demand of any size for persons completing any of AIS courses of instruction;

(iv) AIS graduates will experience little or no difficulty in securing employment in positions for which they are trained; or

(B) Making any representations of any kind whatsoever, which are not already proscribed by other provisions of this order, in connection with the advertising, promoting, or offering for sale of respondent AIS courses of study, training or instruction in the field of art or any other course offered to the public in any field in commerce, for which respondent has no reasonable basis prior to the making or dissemination thereof.

(C) Failing to deliver a copy of this order to cease and desist to all present and future personnel of respondent Bozell & Jacobs engaged in preparing, creating or reviewing advertisements on behalf of any client engaged in the home study and correspondence school business, and secure from each such person a signed statement acknowledging receipt of said order.

II

1. *It is further ordered*, That respondents Bureau of Engraving, Inc. and Art Instruction Schools, Inc.:

(A) Deliver, or cause to be delivered, a copy of this decision and

order to licensees, employees, sales representatives, agents, solicitors, independent contractors, or to any other person, who promotes, offers for sale, sells or distributes any course of instruction included within the scope of this order.

(B) Provide each person or entity so described in Paragraph 1(A) of Part II of this order with a form returnable to the respondents clearly stating his or her intention to be bound by and to conform his or her business practices to the requirements of this order, retain said statement during the period said person or entity is so engaged, and make said statement available to the Commission's staff for inspection and copying upon request.

(C) Inform each person so described in Paragraph 1(A) above that the respondents will not use or engage or will terminate the use or engagement of any such party, unless such party agrees to and does file notice with the respondents that he or she will be bound by the provisions contained in this order.

(D) If such party as described in Paragraph 1(A) above will not agree to file the notice set forth in Paragraph 1(B) above with the respondents and be bound by the provisions of this order, the respondents shall not use or engage or continue to use the engagement of such party to promote, offer for sale, sell or distribute any course of instruction included within the scope of this order.

(E) Inform the persons or entities in Paragraph 1(A) above that the respondents are obligated by this order to discontinue dealing with or to terminate the use or engagement of persons or entities who continue on their own the deceptive acts or practices prohibited by this order.

(F) Institute a program of continuing affirmative compliance review reasonably designed to establish whether the business practices of each said person or entity described in Paragraph 1(A) above conform to the requirements of this order.

(G) Discontinue dealing with or terminate the use or engagement of any person described in Paragraph 1(A) above as revealed by the aforesaid compliance review programs, who continues on his or her own any act or practice prohibited by this order.

III

1. *It is further ordered,* That for the purposes of Part III the following definitions shall apply:

(A) The term "Relevant Period" shall mean the four year period commencing January 1, 1972 and continuing through December 31, 1975 in respect to the "Graduate List," and commencing March 1,

1973 and continuing through October 1, 1976 in respect to "Non-Completing Students."

(B) The term "Graduate List" shall mean the list of names and addresses of students, who reside in the United States, of any individual course of instruction offered for sale by respondent AIS in the field of art, who within the "Relevant Period" have completed the number of lessons required by respondent AIS for completion of individual courses, irrespective of the date of such students' enrollment in or commencement of such course, and irrespective of the amount of tuition paid by such students.

(C) The term "Non-Completing Student" shall mean students, who reside in the United States (other than those whose names appear on the "Graduate List"), who have enrolled in a course of instruction of respondent AIS in the field of art on or after March 1, 1973, (1) who, after completing one-half (1/2) or more of respondent AIS program of art instruction, have during the "Relevant Period" affirmatively notified respondent AIS in writing of his or her intention to terminate or not to complete the program of instruction or have been terminated as a student by respondent AIS, or (2) who, after completing two-thirds (2/3rds) or more of respondent AIS program of art instruction, have not submitted a lesson during any continuous twelve (12) month period during the "Relevant Period" without the student having requested and been granted an extension of time in which to complete the program. For purposes of this order, "two-thirds" of the AIS program shall mean completion of 18 lessons in the 27 lesson program or 10 lessons in the 14 lesson program, as the case may be.

(D) The term "Non-Completion List" shall include each "Non-Completing Student" of any individual course of instruction offered for sale by AIS in the field of art.

2. *It is further ordered*, That respondents Bureau of Engraving, Inc., and Art Instruction Schools, Inc., shall within sixty (60) days from the date of acceptance of this order by the Federal Trade Commission, compile two (2) separate lists. The first list shall be entitled "Graduate List" and shall contain the last known names and addresses of all students who qualify for inclusion therein pursuant to the criteria set forth in Part III, Paragraph 1(B), and shall also contain the names and addresses of such students' nearest relative(s) whose addresses appear on any document in respondents' files relating to said students. The second list shall be entitled "Non-Completion List" and shall contain the last known names and addresses of all "Non-Completing Students" who qualify for inclusion therein pursuant to the criteria set forth in Part III, Paragraph

1(C) and shall also contain the names and addresses of such students' nearest relative(s) whose addresses appear on any document in respondents' files relating to said student. Respondent shall prepare the "Graduate List" and "Non-Completion List" from respondents' records in their respective possession, custody or control. The "Graduate List" and "Non-Completion List" shall be supplemented by a list of persons in the same respective categories compiled by the Federal Trade Commission and transmitted to said respondents within one hundred five (105) days from the date of acceptance of this order by the Federal Trade Commission.

3. *It is further ordered*, That respondents Bureau of Engraving, Inc., and Art Instruction Schools, Inc., shall jointly, within sixty (60) days from the effective date of this order, retain an independent contractor acceptable to the Commission, and give to said independent contractor, within one hundred ten (110) days from the date of acceptance of this order by the Federal Trade Commission, the "Graduate List," "Non-Completion List" and the list of persons in the same respective categories provided to respondents by the Federal Trade Commission. Said independent contractor shall review the lists, strike out any duplication of names and addresses of students set forth in such lists, and determine the due qualification of each student listed to be included in such lists under the criteria hereinabove referred to. Said independent contractor shall be granted access to respondents' records in order to prepare a final "Graduate List" and a final "Non-Completion List." Students whose names appear on the final lists in each category as compiled by the independent contractor are to receive one or more of the Appendices A, B, C, D and E in accordance with the following provisions of Part III of this order. No student shall be included or retained on any final list compiled by the independent contractor who, in the good faith judgment of the independent contractor, on the basis of respondents' records, is manifestly not entitled to participate in the restitution contemplated by the order by reason of not meeting the substantive criteria therefore established in Part III, Paragraphs 6 and 9 below.

Graduate List

4. (A) *It is further ordered*, That said independent contractor shall make an inquiry in writing on the one hundred thirtieth (130) day after the effective date of this order to all students whose names and addresses appear on the "Graduate List," in the language, manner and form shown in Appendices A and D, by first class mail and with a self-addressed postage prepaid return envelope. Said inquiry shall be known as the "first mailing." With respect to all

students whose "first mailing" is returned unopened on or prior to the two hundredth (200) day after the effective date of this order, said independent contractor shall within three (3) days after such "first mailing" is returned unopened attempt by reasonable mailed inquiry to establish contact with such students by requesting by mail new addresses from the students' nearest relative(s) whose addresses appear on any document supplied to the independent contractor through which a student may be located. Said independent contractor upon securing a new address from the aforementioned source shall initiate the "first mailing" procedure to the new address of the student.

(B) Said independent contractor shall make a second inquiry in writing on the one hundred seventieth (170) day after the effective date of this order to all students whose names and addresses appear on the "Graduate List" and have not responded to the "first mailing" of the independent contractor by such date. The second inquiry in writing by first class mail and with a self-addressed postage prepaid return envelope shall be known as the "second mailing" and be in the language, manner and form shown in Appendix B.

(C) Said independent contractor shall make a third inquiry in writing on the two hundredth (200) day after the effective date of the order to all students whose names and addresses appear on the final "Graduate List" and have not responded to the "first mailing" or "second mailing" of the independent contractor by such date. The third inquiry in writing by first class mail and with a self-addressed postage prepaid return envelope shall be known as the "third mailing" and shall be in the language, manner and form shown in Appendix C.

5. *It is further ordered, That:*

(A) At the expiration of forty-five (45) days after the independent contractor mails the "third mailing," and in any event two hundred forty-five (245) days after the effective date of this order, said contractor shall transmit to respondents all Appendix D responses it has received by such date; and

(B) Respondents' obligation to make restitution shall extend to those persons whose names appeared on the final "Graduate List" compiled by the independent contractor and whose Appendix D responses have been received by the independent contractor on or before the expiration of said forty-five (45) day period and whose eligibility is certified by the independent contractor pursuant to Paragraph 5(C) of Part III of this order below; and

(C) The independent contractor shall certify to respondents the identity of all students eligible to receive restitution on the basis of

their Appendix D responses. The independent contractor shall be the final judge in good faith of such eligibility based upon the criteria set forth in Part III, Paragraphs 1, 5 and 6 of this order.

6. *It is further ordered*, That on the thirtieth (30) day following the close of the forty-five (45) day period described in Part III, Paragraph 5(A) of this order, and in any event two hundred seventy-five (275) days after the effective date of this order, respondents shall refund to those students of AIS courses identified by the independent contractor as eligible therefore an amount equal to twenty-five percent (25%) of an amount equal to the gross tuition paid by each student to respondent AIS for any such course, less any previous refunds. With respect to each such student on the "Graduate List" deemed eligible to receive a refund of tuition, respondents shall forward to each such person together with the refund check a notice in the following language:

This refund check is tendered in satisfaction of all claims by you against Art Instruction Schools, Inc., Bureau of Engraving, Inc., and the officers, directors, employees and agents of either of them. Upon acceptance of the refund check each of the foregoing shall be released from all such claims by you arising out of the payment of tuition for any Art Instruction Schools, Inc., course of instruction, and you shall be released from all claims by Art Instruction Schools, Inc., or Bureau of Engraving, Inc., against you.

In addition to the refund of the percentage of gross tuition specified herein, respondents shall also refund to each student on the "Graduate List" who qualifies hereunder for a refund, the amount of tuition payments made by said student to respondents between the effective date of this order and a date not more than ten (10) days prior to the date the refund check is due to be mailed to said student under the foregoing schedule. In order for any student on the "Graduate List" to be eligible to receive a refund of tuition, such student must satisfy the following criteria, in addition to the procedural requirements of Part III, Paragraph 4 of this order:

(A) The student enrolled in an AIS course of instruction for the purpose of obtaining employment in the field of art utilizing his or her artistic skills or to improve his or her level of employment as an artist by virtue of training received from such course of instruction; and

(B) (i) sought employment in the field of art utilizing his or her artistic skills, or

(ii) for reasons relating to the lack of sufficiency or quality of AIS training, or lack of relevant employment opportunity, elected not to seek such employment; and

(C) Did not obtain employment in the field of art or did not

improve his or her level of employment, notwithstanding the training received from AIS.

Non-Completion List

7. (A) *It is further ordered*, That the independent contractor shall make an inquiry in writing on the one hundred thirtieth (130) day after the effective date of this order to all students whose names and addresses appear on the final "Non-Completion List" compiled by the independent contractor, in the language, manner and form shown in Appendices A and E by first class mail and with a self-addressed postage prepaid return envelope. Said inquiry shall be known as the "first mailing." With respect to all students whose "first mailing" is returned unopened on or prior to the two hundredth (200) day after the effective date of this order said independent contractor shall, within three (3) days after such "first mailing" is returned unopened, attempt by reasonable mailed inquiry to establish contact with such students by requesting by mail new addresses from the students' nearest relative(s) whose addresses appear on any document supplied to the independent contractor through which a student may be located. Said independent contractor upon securing a new address from the aforementioned source shall initiate the "first mailing" procedure to the new address of the student.

(B) Said independent contractor shall make a second inquiry in writing on the one hundred seventieth (170) day after the effective date of this order to all students whose names and addresses appear on the final "Non-Completion List" and have not responded to the "first mailing" of the independent contractor by such date. The second inquiry in writing by first class mail and with a self-addressed postage prepaid return envelope shall be known as the "second mailing" and be in the language, manner and form shown in Appendix B.

(C) Said independent contractor shall make a third inquiry in writing on the two hundredth (200) day after the effective date of this order to all students whose names and addresses appear on the final "Non-Completion List" and have not responded to the "first mailing" or "second mailing" of the independent contractor by such date. The third inquiry in writing by first class mail and with a self-addressed postage prepaid return envelope shall be known as the "third mailing" and be in the language, manner and form shown in Appendix C.

8. *It is further ordered*, That:

(A) At the expiration of forty-five (45) days after the independent

contractor mails the "third mailing," and in any event two hundred forty-five (245) days after the effective date of this order, said contractor shall transmit to respondents all Appendix E responses it has received by such date; and

(B) Respondents' obligation to make restitution shall extend to those persons whose names appeared on the final "Non-Completion List" compiled by the independent contractor and whose Appendix E responses have been received by the independent contractor on or before the expiration of said forty-five (45) day period and whose eligibility is certified by the independent contractor pursuant to Paragraph 8(C) of Part III of this order below; and

(C) The independent contractor shall certify to respondents the identity of all students eligible to receive restitution on the basis of their Appendix E responses. The independent contractor shall be the final judge in good faith of such eligibility based upon the criteria set forth in Part III, Paragraphs 1, 8 and 9 of this order.

9. *It is further ordered*, That on the thirtieth (30) day following the close of the forty-five (45) day period described in Part III, Paragraph 8(A) of this order, and in any event two hundred seventy-five (275) days after the effective date of this order, respondents shall refund to those students of AIS courses identified by the independent contractor as eligible therefore an amount equal to twenty percent (20%) of an amount equal to the gross tuition paid by each student to respondent AIS for any such course, less any previous refunds. With respect to each such student on the "Non-Completion" deemed eligible to receive a refund of tuition, respondents shall forward to each such person together with the refund check a notice in the following language:

This refund check is tendered in satisfaction of all claims by you against Art Instruction Schools, Inc., Bureau of Engraving, Inc., and the officers, directors, employees and agents of either of them. Upon acceptance of the refund check each of the foregoing shall be released from all such claims by you arising out of the payment of tuition for any Art Instruction Schools, Inc., course of instruction, and you shall be released from all claims by Art Instruction Schools, Inc., or Bureau of Engraving, Inc., against you.

In order for any student on the final "Non-Completion List" to be eligible to receive a refund of tuition such student must satisfy the following criteria, in addition to the procedural requirements of Part III, Paragraph 8 of this order:

(A) The student enrolled in an AIS course of instruction for the purpose of obtaining, during the conduct of the course of instruction, employment in the field of art utilizing his or her artistic skills, or during the conduct of the course to improve his or her level of

employment as an artist by virtue of training received from such course of instruction; and

(B) (i) sought employment in the field of art utilizing his or her artistic skills, or (ii) for reasons relating to the lack of sufficiency or quality of AIS training, or lack of relevant employment opportunity, elected not to seek such employment; and

(C) Did not during the conduct of the course or thereafter obtain employment in the field of art or did not during the conduct of the course or thereafter improve his or her level of employment, notwithstanding the training received from AIS.

10. *It is further ordered*, That notwithstanding any provision of Part III, Paragraphs 1 through 9 to the contrary, any amount payable as restitution thereunder shall be remitted to the person appearing on the records of respondents as the person who actually paid the tuition being refunded if such person is different from the qualifying student who enrolled in such course(s).

IV

It is further ordered, That respondents Bureau of Engraving, Inc., and Art Instruction Schools, Inc., maintain in their respective student files all documents and writings relating to inquiries or complaints from any source relating to acts or practices prohibited by this order for a period of two (2) years after the effective date of this order, and that such files be made available for examination by a duly authorized agent of the Federal Trade Commission during the regular hours of the respondents' business for inspection and copying.

V

It is further ordered, That respondents Bureau of Engraving, Inc. and Art Instruction Schools, Inc. shall forthwith distribute a copy of this order to each of their operating divisions.

VI

It is further ordered, That respondents Bureau of Engraving, Inc., Art Instruction Schools, Inc. and Bozell & Jacobs, Inc. shall notify the Commission at least thirty (30) days prior to any proposed change in respondents such as dissolution, assignment or sale resulting in the emergence of a successor corporation, or any other change in respondents which may affect compliance obligations arising out of this order.

VII

It is further ordered, That in the event the Federal Trade Commission promulgates a final Trade Regulation Rule on Advertising, Disclosure, Cooling-Off and Refund Requirements Concerning Proprietary, Vocational and Home-Study Schools, then such trade regulation rule shall completely supercede and replace the provisions of this order set forth in Part I, Paragraphs 2 through 4 *provided,* that if no provision of the trade regulation rule relates in whole or in part to any matter covered by provisions of one of the aforesaid paragraphs of this order, the said provisions of said paragraph shall remain in full force and effect.

VIII

It is further ordered, That no provision of this order shall be construed in any way to annul, invalidate, repeal, terminate, modify or exempt respondents from complying with agreements, orders or directives of any kind obtained by any other agency or act as a defense to actions instituted by municipal or state regulatory agencies. No provision of this order shall be construed to imply that any past or future conduct of respondents complies with the rules and regulations of, or the statutes administered by the Federal Trade Commission.

IX

It is further ordered, That each respondent herein named shall, within sixty (60) days after service upon it of this order, file with the Commission a report in writing setting forth the manner and form in which each has complied with this order, and respondents Bureau of Engraving, Inc., and Art Instruction Schools, Inc., shall, within two hundred seventy (270) days after the independent contractor first mails the "first mailings" referred to in Part III above, file with the Commission a report in writing setting forth the manner and form in which they have complied with Part III of this order.

APPENDIX A

Important Notice

(Name of Addressee)
(Address of Addressee)

Subject: Your enrollment in Art Instruction Schools, Inc.

Dear _____:

Decision and Order

— 93 F.T.C.

We would like you to help us by filling out the enclosed short questionnaire.

The Federal Trade Commission has directed us to get certain facts and information from you concerning your association and relationship with our school. We have asked (name of independent contractor) to get this information from the questionnaire. Art Instruction Schools, Inc. will use the gathered information to meet important legal obligations to former students such as yourself.

It is very important that you promptly provide the information requested. Please fill out the questionnaire and return it in the enclosed return envelope. If you have any questions about this letter or the questionnaire, please contact (name of person, independent contractor, address, and telephone number).

Sincerely yours,

Roy O. Stuart
President
Art Instruction Schools, Inc.

APPENDIX B

Important Notice

(Name of Addressee)
(Address of Addressee)

Subject: Your enrollment in Art Instruction Schools, Inc.

Dear _____:

Approximately one month ago we asked you to fill out a questionnaire about your association and relationship with Art Instruction Schools, Inc. We have not received your response.

The information requested is *very* important in order to fulfill important legal obligations to our former students such as yourself. Please help us by filling out the questionnaire and returning it in the enclosed envelope.

If you have any questions regarding this letter please contact (name of person, independent contractor, address, and telephone number).

Sincerely yours,

Roy O. Stuart
President
Art Instruction Schools, Inc.

APPENDIX C

Important Notice

(Name of Addressee)
(Address of Addressee)

Subject: Your enrollment in Art Instruction Schools, Inc.

Dear _____:

Twice during the past two months we asked you to fill out an important

questionnaire regarding your association and relationship with Art Instruction Schools, Inc. We have not received your response.

The Federal Trade Commission has directed the School to compile this information to meet important legal obligations to former students such as yourself. The only method to determine the existence and scope of such legal obligations to former students is by you filling out the questionnaire. Please do so as soon as possible and return it in the enclosed envelope. If you have any questions please contact (name of person, independent contractor, address, and telephone number).

Sincerely yours,

Roy O. Stuart
President
Art Instruction Schools, Inc.

APPENDIX D

Subject: Your enrollment in Art Instruction Schools, Inc. ("AIS") Minneapolis, Minnesota.

1. Is your current address correctly shown on the envelope?
Yes () No () If not, what is your address?
2. (a) About when did you sign up for the AIS course?

Month and Year

- (b) About when did you make your first payment to AIS?

Month and Year

3. What was the name of the course?
4. (a) Did you finish the course in which you enrolled?
Yes () No ()
- (b) If you finished the course, about when did you do so?

Month and Year

5. What was the total amount of money you paid for your course?
(Total amount paid: \$_____)
6. People take a correspondence course for various reasons. Which *one* of the reasons listed below best fits your own reason for taking the course? (Read all reasons first before you check *ONE*.)
 - (a) To get personal satisfaction from developing my interests in art
 - (b) To learn a hobby
 - (c) To supplement my high school studies
 - (d) To get a job in the field of art using my artistic skills
 - (e) To do my current job in the field of art better
 - (f) To increase my appreciation or understanding of art
 - (g) Other:
(Please Describe) _____

7. After you signed up for the AIS course, did you ever make a sincere and good faith effort to get a job using your artistic skills in the field of art?
Yes () No ()
(If "yes", skip to question 9; if "no", please answer question 8.)
8. Answer this question *ONLY* if you answered question 7 "no".) Please give the

most important reason why you did *not* try to get a job in the field of art. (Read all reasons first before you check *ONE*.)

- (a) I took the course for advancement or improvement in my current job and not to get a new job in the field of art using my artistic skills, and I either;
 - (i) Got improvement or advancement; or
 - (ii) Did not get improvement or advancement
- (b) I took the course mainly for self-improvement or self-fulfillment
- (c) I preferred, already had, or got a job in another field unrelated to art
- (d) I decided I didn't want a job in the field of art
- (e) I decided I wouldn't be able to find a job in the field of art using my artistic skills since I had no on-the-job experience
- (f) I decided I wouldn't be able to find a job in the field of art using my artistic skills since I hadn't enough training
- (g) I decided I wouldn't be able to find a job in the field of art using my artistic skills because there was no demand for my talents
- (h) I married or started a family
- (i) I was drafted or enlisted in the military service
- (j) I was going to high school or went on to college, vocational-technical, or other schooling
- (k) I never wanted a job in the field of art in the first place
- (l) Art is a hobby or recreational activity with me
- (m) Other:
(Please Describe) _____

- 9. (Answer this question *ONLY* if your answer to question 7 is "yes".) Did you ever get a job in the field of art or sell a substantial amount of free lance art work as a result of your training at Art Instruction School?
Yes () No ()
- 10. Do you feel that the course was worthwhile to you?
Yes () No ()
- 11. Would you recommend the course you took to a friend?
Yes () No ()
- 12. (a) What was your age when you signed up for the Art Instruction School course? _____
(b) What is your age today? _____
- 13. What was your job or main activity when you signed up for the course (such as "high school student", or "mechanic" or "housewife")? _____
- 14. Please attach to this form copies of any documents, if available, that show you paid any amount of money for any course of instruction offered by Art Instruction Schools.

This form must be signed and mailed in the enclosed self-addressed return envelope.

I CERTIFY THAT THE ABOVE ANSWERS ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

[Note: It is a federal crime for anyone to knowingly and willfully make a false, fictitious or fraudulent statement or representation in any matter within the jurisdiction of any department or agency of the United States. 18 U.S.C. Section 1001.]

DATE _____

STUDENT'S SIGNATURE _____

SOCIAL SECURITY NUMBER

PRINT NAME HERE

HOME ADDRESS:

Number Street Apt.
City State Zip Code

HOME TELEPHONE:

BUSINESS ADDRESS:

Employer's Name
Number Street
City State Zip Code

BUSINESS TELEPHONE:

APPENDIX E

Subject: Your enrollment in Art Instruction Schools, Inc. ("AIS") Minneapolis, Minnesota.

1. Is your current address correctly shown on the envelope?
Yes () No () If not, what is your address?
2. (a) About when did you sign up for the AIS course?
Month and Year
(b) About when did you make your first payment to AIS?
Month and Year
3. What was the name of the course?
4. (a) Did you finish the course you signed up for?
Yes () No ()
(b) If you dropped out of the course, about when did you do so?
Month and Year
(c) How many lessons of the total course did you finish?
Total lessons finished _____
Total lessons in course _____
5. As of today what is the total amount of money you have actually paid to AIS for your course?
Total amount paid: \$ _____
6. People take a correspondence course for various reasons. Which *one* of the reasons listed best fits your own reasons for taking the art course? (Read all reasons first before you check *ONE*.)
(a) To get personal satisfaction from developing my interests in art
(b) To learn a hobby
(c) To supplement my high school studies
(d) To get a job during the course in the field of art using my artistic skills
(e) To do my current job in the field of art better

(f) To increase my appreciation or understanding of art

(g) Other:

(Please Describe) _____

7. After you signed up for the AIS course, did you ever make a sincere and good faith effort to get a job using your artistic skills in the field of art?

Yes () No ()

(If "yes", skip to question 9; if "no", please answer question 8.)

8. (Answer this question ONLY if you answered question 7 "no".) Please give the *most important* reason why you did *not* try to get a job in the field of art. (Read all reasons first before you check *ONE*.) (CHECK ONE ONLY)

(a) I took the course for advancement or improvement in my current job and not to get a new job in the field of art using my artistic skills, and I either;

(i) Got advancement or improvement; or

(ii) didn't get advancement or improvement

(b) I took the course mainly for self-improvement or self-fulfillment

(c) I preferred, already had, or got a job in another field unrelated to art

(d) I decided I didn't want a job in the field of art

(e) I decided I wouldn't be able to find a job in the field of art using my artistic skills since I had no on-the-job experience

(f) I decided I wouldn't be able to find a job in the field of art using my artistic skills since I hadn't enough training

(g) I decided I wouldn't be able to find a job in the field of art using my artistic skills because there was no demand for my talents

(h) I married or started a family

(i) I was drafted or enlisted in the military service

(j) I was going to high school or went on to college, vocational-technical, or other schooling

(k) I never wanted a job in the field of art in the first place

(l) Art is a hobby or recreational activity with me

(m) Other:

(Please Describe) _____

9. (Answer this question ONLY if your answer to question 7 is "yes".) Did you ever get a job in the field of art or sell a substantial amount of free lance art work as a result of your training at Art Instruction School?

Yes () No ()

10. Do you feel that the course was worthwhile to you?

Yes () No ()

11. Would you recommend the course you took to a friend?

Yes () No ()

12. Please give the most important reason why you dropped the AIS course. (Read all reasons first before you check *ONE*.) (CHECK ONE ONLY)

(a) I gained the self-improvement I wanted when I signed up

(b) I felt I didn't have enough time for my art lessons because of my other activities or studies

(c) I found the course too difficult

(d) I didn't feel the course was worthwhile

(e) I didn't feel the course would help me get a job in the field of art

(f) I went to college or vocational-technical school

- (g) I simply lost interest in studying art
(h) I could no longer afford the payments for the course
(i) Other:
(Please describe) _____

13. (a) What was your age when you signed up for the Art Instruction School course? _____
(b) What is your age today? _____
14. What was your job or main activity when you signed up for the course (such as "high school student", or "mechanic" or "housewife")? _____
15. Please attach to this form copies of any documents, if available, that show you paid any amount of money for any course of instruction offered by Art Instruction Schools.

This form must be signed and mailed in the enclosed self-addressed return envelope.

I CERTIFY THAT THE ABOVE ANSWERS ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

[Note: It is a federal crime for anyone to knowingly and willfully make a false, fictitious or fraudulent statement or representation in any matter within the jurisdiction of any department or agency of the United States. 18 U.S.C. Section 1001.]

DATE

STUDENT'S SIGNATURE

SOCIAL SECURITY NUMBER

PRINT NAME HERE

HOME ADDRESS:

Number Street Apt.

City State Zip Code

HOME TELEPHONE:

BUSINESS ADDRESS:

Employer's Name

Number Street

City State Zip Code

BUSINESS TELEPHONE:

Complaint

- 93 F.T.C.

IN THE MATTER OF
NATIONAL SYSTEMS CORPORATION, ET AL.

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

Docket 9078. Complaint, March 25, 1976 — Decision, Jan. 11, 1979

This consent order, among other things, dismisses the complaint against National Systems Corporation and individually named corporate officers, and requires North American Correspondence Schools, a Newport, Calif. firm offering correspondence courses in various fields, to cease misrepresenting enrollment prerequisites; school accreditation; testimonials; and the potential earnings, employment opportunities, and demand for its graduates. Prior to contracting, customers must be furnished with information regarding the employment success of former students; informed of their right to cancellation and refund; and provided with a seven-day cooling-off period. The order additionally requires the company to make restitution to former eligible students in a specified manner; maintain records; and institute a surveillance program designed to ensure compliance with the terms of the order.

Appearances

For the Commission: *Lani M. Sen Woltmann and Kendall H. MacVey.*

For the respondents: *Robert A. Skitol and Robert M. Cohan, Wald, Harkrader & Ross, Washington, D.C.*

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 National Systems Corporation, a corporation, and North American Correspondence Schools, a corporation and subsidiary of National Systems Corporation doing business as North American School of Conservation, North American School of Advertising, North American School of Drafting, North American School of Travel, North American School of Systems and Procedures, North American School of Recreation and Park Management, North American School of Surveying and Mapping, North American School of Accounting, North American School of Motorcycle Repair, and North American School of Hotel-Motel Management, and John J. McNaughton, individually and as chairman of the board of directors of National Systems Corporation, Maurice H. Sherman, individually and as an officer of North American Correspondence Schools, Richard C. Parsons and Eugene Auerbach, individually and as employees of North American Corre-