

IN THE MATTER OF

ASSOCIATED MILLS, INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3249. Complaint, Apr. 27, 1989—Decision, Apr. 27, 1989*

This consent order requires, among other things, a Chicago, Ill. corporation to have a reasonable basis for any claims of performance characteristics of the Bottled Water Maker or any other water treatment appliance or product. Respondent is also required to have a reasonable basis for claims of the expected life over which any environmental treatment product can treat or remove any contaminant or reduce any health-related risks.

Appearances

For the Commission: *Steven A. Shaffer.*

For the respondent: *Mark Schattner, Pepper, Hamilton & Scheetz,*
Washington, D.C.

COMPLAINT

The Federal Trade Commission, having reason to believe that Associated Mills, Inc., a corporation ("AMI" or "respondent"), has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. AMI is an Illinois corporation, with its office and principal place of business located at 165 N. Canal Street, Chicago, Illinois.

PAR. 2. AMI has advertised, promoted, offered for sale, sold, and distributed home water treatment devices and accessories, including the Pollenex Model WP120 Bottled Water Maker Reverse Osmosis System ("Bottled Water Maker"). The Bottled Water Maker uses both reverse osmosis technology and granulated activated carbon filtration to remove contaminants from tap water.

PAR. 3. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. Typical of respondent's advertisements and promotional materials for the Bottled Water Maker, but not necessarily all-inclusive thereof, are the advertisements attached hereto as Exhibits A, B and C. The aforesaid advertisements contain the following statements and depictions:

(a) "Removes up to 99% of organic chemicals and other contaminants from tap water." (Exhibit A-1)

(b) "Maximum Reduction Rates

* * * * *

Organic Chemicals

* * * * *

THM (Suspected Carcinogen) 98%" (Exhibits A-2, C)

(c) "The heart of the unit is a cellulose acetate membrane that separates molecules of harmful chemicals, hazardous minerals, salt and other contaminants from water." (exhibits A-2, C)

(d) "INNOVATIVE DESIGN ALLOWS SELF-CLEANSING OF MEMBRANE TO ENSURE GREATER EFFECTIVENESS OVER A LONG PERIOD OF USE. UNDER NORMAL CONDITIONS FOR POTABLE WATER, THE MEMBRANE CARTRIDGE SUPPLIED WILL LAST FOR 1 YEAR OR MORE." (Exhibits A-2, C)

(e) Illustration of "Tap Water," consisting of "Water Molecules" represented by white circles and "Contaminants" represented by black dots, shown flowing toward Bottled Water Maker "Membrane." All "Contaminants" are shown being screened out by "Membrane" and all "Water Contaminants" are shown being passed through "Membrane" to become "Pollenex Drinking Water." (Exhibit A-2)

(f) "Even though your water may not look, taste or smell bad it could contain harmful chemicals, and/or hazardous minerals or contaminants that shouldn't be taken into your body. Because you care about the water your family drinks, you'll feel much better owning a Pollenex Bottled Water Maker." (Exhibit A-3, C)

(g) "As you know, many of America's drinking water sources are contaminated. Ordinary carbon-type filters cannot remove some of the nasty chemicals and minerals that may be lurking in your drinking water. But the Pollenex Bottled Water Maker Reverse Osmosis membrane can separate these harmful molecules from tap water.

* * * * *

It also removes up to 99% of these pesticides and suspected cancer-causing chemicals (voice-over accompanied by illustration of bar chart, titled "REMOVES UP TO 99% OF THESE SUSPECTED CANCER CAUSING CHEMICALS," with bar for "THM" shown at 98%).) (Exhibits B-1, B-2)

(h) "Replacement Membrane lasts for one year or more" (Exhibit C)

PAR. 5. Through the use of the statements and depictions referred to in paragraph four, and others in advertisements and promotional materials not specifically set forth herein, respondent has represented, directly or by implication, that the Bottled Water Maker will remove nearly all or most of the trihalomethanes, a class of hazardous organic

chemicals, contained in normal municipal tap water for a year of typical use.

PAR. 6. Through the use of the representation set forth in paragraph five, respondent has represented, directly or by implication, at the time it made the representation, it possessed and relied upon a reasonable basis for that representation.

PAR. 7. In truth and in fact, at the time respondent made the representation set forth in paragraph six, respondent did not possess and rely upon a reasonable basis for that representation. Therefore, respondent's representation, as set forth in paragraph six, was and is false and misleading.

PAR. 8. The acts and practices of respondent as alleged in this complaint constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

EXHIBIT A

Pollenex®
BOTTLED WATER
MAKER™
Reverse Osmosis System

Especially
useful for most
low sodium
diets
(Ask Your Doctor)

Provides great tasting "Bottled Water" quality drinking water for just pennies per gallon.

- Removes up to 99% of organic chemicals and other contaminants from tap water. Also effective for reduction of a wide variety of hazardous minerals (see back panel).
- Reduces the salt content of tap water — especially softened water.
- Installs on kitchen or utility sink faucet in seconds — no tools required.

EXHIBIT A - 1



Pollenex[®]

BOTTLED WATER

MAKER[™]

Reverse Osmosis System



Latest technology makes municipally treated water even safer to drink.

"Bottled Water" quality water at just pennies per gallon.

No heavy water bottles to carry home from the store. No costly deliveries. Now with your Pollenex Bottled Water Maker[™] you can make "Bottled Water" quality drinking water right in your home at a fraction of the cost you'd pay for it in a store or from a delivery service. Your whole family will enjoy the taste of fresher, cleaner, better tasting water.

If you buy 10 gallons of bottled drinking water per month at an average cost of \$1.00 per gallon — your annual cost will be \$120.

Maximum Reduction Rates

Minerals	
Sodium	91%
Mercury	90%
Lead	87%
Sulphate	95%
Nitrate*	90%
Cadmium	93%
Chloride	88%
Organic Chemicals	
PCB (Suspected Carcinogen)	99%
Lindane (Pesticide)	98%
TCE (Suspected Carcinogen)	98%
EDB (Pesticide)	94%
THM (Suspected Carcinogen)	98%

Mineral reductions are based on chlorinated municipal water at 60 to 90 psi and 70°F using a new membrane. Organic Chemical reductions are based on chlorinated municipal water at 46 psi and 70°F using a new membrane. Efficiencies will vary over time depending on water conditions.

* Children under one year of age should not be exposed to any amount of nitrate in their drinking water.

Note: Water containing high levels of organic chemical contaminants should be prefiltered by installation of a Pollenex under sink carbon filter.

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The Reverse Osmosis Water System

The heart of the unit is a cellulose acetate membrane that separates molecules of harmful chemicals, hazardous minerals, salt and other contaminants from water. This is the same technology used by many bottled water companies and municipal desalinization plants. The system requires no energy other than normal line pressure and is quickly attached to your kitchen or utility sink faucet.

INNOVATIVE DESIGN ALLOWS SELF-CLEANSING OF MEMBRANE TO ENSURE GREATER EFFECTIVENESS OVER A LONG PERIOD OF USE. UNDER NORMAL CONDITIONS FOR POTABLE WATER, THE MEMBRANE CARTRIDGE SUPPLIED WILL LAST FOR 1 YEAR OR MORE.

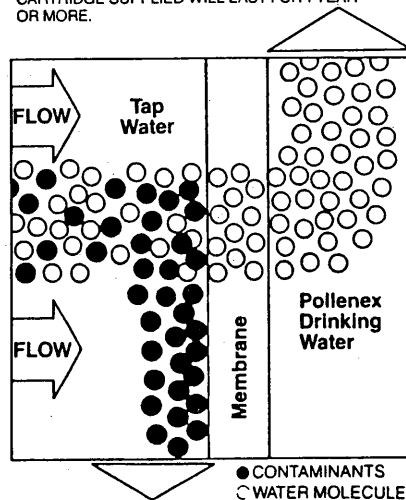


EXHIBIT A - 2

PollenexTM
BOTTLED
 WATER
MAKERTM
Reverse Osmosis System

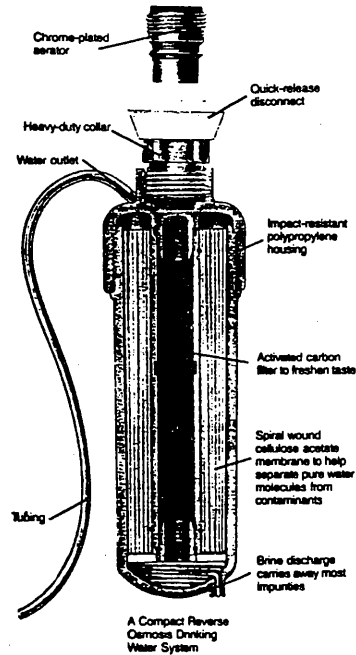
Because you
care about
the water
your family
drinks.



Even though your water may not look, taste or smell bad it could contain harmful chemicals, and/or hazardous minerals or contaminants that shouldn't be taken into your body. Because you care about the water your family drinks, you'll feel much better owning a Pollenex[®] Bottled Water MakerTM. Besides high quality drinking and cooking water, your family will also enjoy better tasting coffee, tea, soups, and ice cubes. Other household uses include steam irons, humidifiers and aquariums. Takes just seconds to install. And it is the latest in water cleaning technology.

EXHIBIT A - 3

Pollenex®
BOTTLED
WATER
MAKER™
 Reverse Osmosis System



Contents: One Reverse Osmosis System consisting of cellulose acetate membrane and housing, aerator, product water tubing and storage bag.

For use with chlorinated or municipal water.

Note: This product is not designed to kill bacteria.

EXHIBIT A - 4

Complaint

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EXHIBIT B

Exhibit B - 1

"POLLENEX BOTTLED WATER MAKER" In-Store Video - 1:50 - 2/18/87 -APPROVED
Wallace & Curfman, Inc. AM702

1) MOTHER ENTER KITCHEN LUGGING GROCERY SACKS & JUGS OF DRINKING WATER - DAUGHTER GREETES HER & TAKES THE JUGS.	ANNCR (VO): Now if you're buying and lugging lots of jugs of water to solve your drinking water problem --	5
SCENE FREEZES - MATTE "X" OVER SCENE	Forget it! Here's a better solution:	2
2) CUT TO HER HANDS SETTING DOWN BOTTLED WATER MAKER CARTON - SLOW ZOOM IN AS SHE OPENS TOP FLAP AND SLIDES OUT UNIT.	Make your own bottled water with this marvel of modern technology: The Pollenex Bottled Water Maker.	6
3) DISSOLVE TO PRE-MIX OF POLLUTED STREAM (3/4") WITH POLLUTION HEADLINES MOVING ACROSS SCREEN.	As you know, many of America's drinking water sources are contaminated. Ordinary carbon-type filters cannot remove some of the nasty chemicals and minerals that may be lurking in your drinking water.	10
4) DISSOLVE BACK TO SAME BOTTLED WATER MAKER BOX AS CAMERA CONTINUES TO ZOOM INTO "REVERSE OSMOSIS" TYPE PANEL	But the Pollenex Bottled Water Maker Reverse Osmosis membrane can separate these harmful molecules from water.	6
5) DISSOLVE TO MS KITCHEN SINK - HAND ENTERS & SCREWS IN ADAPTER RING, THEN SNAPS ON FILTER (TO DEMONSTRATE - SHE SNAPS IT OFF & ON AGAIN)	It can make "bottled quality" water overnight, right in your sink. Easy to install. No tools required. After this adapter is screwed into the faucet spout, the unit can be snapped on and off instantly.	11
6) DISSOLVE TO LOW ANGLE UNIT IN OPERATION WITH WATER MOVING THRU TUBE TO JUG. CG MATTED: "PENNIES PER GALLON"	It costs just pennies per gallon. It could be even better than the water you're buying.	4
7) DISSOLVE TO KITCHEN NEXT AFTERNOON - DAUGHTER COMING HOME FROM SCHOOL - MOTHER TAKES OUT FULL JUG OF WATER FROM REFRIGERATOR.	Because you care about the water your family drinks -- you should have one -- especially if you're on a low sodium diet.	5
8) ECU MOTHER'S HANDS POURING GLASS OF WATER - CG: "TAKES OUT UP TO 91% OF SODIUM"	It takes out up to 91% of sodium, because it works like a desalinization plant.	4
9) ZOOM IN TO GLASS - MATTE IN MINERAL CHART WITH CG TYPE ABOVE: "REDUCES HARMFUL MINERALS"	And, it reduces many other harmful minerals. Did you realize you might actually be drinking mercury, lead.	

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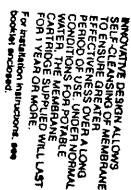
Complaint

Exhibit B - 2

	sulphate, nitrate, cadmium, chloride?	9
10) CHANGE TO CHEMICAL CHART & CG: "REMOVES UP TO 99% OF THESE SUSPECTED CANCER-CAUSING CHEMICALS"	It also removes up to 99% of these pesticides and suspected cancer-causing chemicals.	5
11) DISSOLVE TO MS UNIT IN OPERATION (REPEAT FR 6)	Yes, the Pollenex Bottled Water maker does all this -- and more.	3
CG: "FILTERS PARTICLES 20,000 TIMES MORE FINELY THAN CARBON FILTERS"	It filters particles 20,000 times more finely than conventional carbon filters --	4
12) TITLE REMAINS AS BACKGROUND DISSOLVES TO CROSS SECTION ARTWORK OF UNIT	because inside, water flows slowly through this cellulose acetate membrane -- separating harmful molecules from pure water.	7
13) DISSOLVE TO ECU TITLE ON BOX "REVERSE OSMOSIS SYSTEM" PULL BACK TO FULL TITLE & ILLUSTRATION ON BOX	That's how reverse osmosis makes municipally-treated water even safer... a small price to pay to	6
14) DISSOLVE TO REPEAT OF SC 1 IN SOFT-EDGED SQUARE MORTISE - TITLE ON RIGHT "SAVES MONEY"	safeguard your family's health. Compare it to water you buy. It saves you money. If you buy 10 gallons of bottled water a month at a dollar a gallon, you'll be spending \$120 a year!	11
15) DISSOLVE BACK TO ILLUS ON BOX - SLOW PULL BACK TO FULL SHOT OF BOX WITH FULL JUG OF WATER NEXT TO IT.	Instead, make a modest investment in a Pollenex Bottled Water Maker and start saving immediately. It pays for itself in just a few short months. So buy one now -	10
16) MATTE POLLENEX LOGO OVER TOP THIRD OF SCREEN	The Bottled Water Maker, from Pollenex!	2

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The heart of the unit is a cellulose acetate membrane that separates molecules of harmful chemicals, hazardous minerals, salt and other contaminants from water. This is the same technology used by many bottled water companies and municipal desalination plants. The system requires no energy other than normal line pressure and is quickly attached to your kitchen or utility sink faucet.

INNOVATIVE DESIGN ALLOWS SELF-CLEANING OF MEMBRANE TO ENSURE GREATER EFFECTIVENESS OVER A LONG PERIOD OF USE. UNDER NORMAL CONDITIONS FOR POTABLE WATER, THE MEMBRANE CARTRIDGE SUPPLIED WILL LAST FOR 1 YEAR OR MORE.

Maximum Reduction Rates

Minerals	Reduction Rate
Calcium	99.9%
Chloride	99.9%
Fluoride	99.9%
Iron	99.9%
Lead	99.9%
Nitrate	99.9%
Sulfate	99.9%
Sulfide	99.9%
Thiophene	99.9%
Vanadium	99.9%
Zinc	99.9%

[illegible]

**family
drinks**



Even though your water may not look, taste or smell bad, it could contain harmful chemicals, and/or hazardous chemicals, contaminants that shouldn't be taken into your body. Because you care about the water you're better drinking, you'll need much better. Owning a Polaris® Boiled Water Maker.

High quality drinking... Besides water, your family will also enjoy better tasting coffee, tea, soups, and ice creams. Other household uses include steam iron, humidifiers and aquariums. Takes just seconds to install. And it's the latest in water cleaning technology.

DECISION AND ORDER

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

The respondent, its attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all 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 respondent 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 thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that 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, and having duly considered the comments filed thereafter by interested parties pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby makes the following jurisdictional findings and enters the following order:

1. Respondent Associated Mills, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its principal place of business located at 165 N. Canal Street, Chicago, Illinois.

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

ORDER

DEFINITIONS

For purposes of this order, the following definitions apply:

"*Environment*" shall mean the matter and conditions physically surrounding a person or object, and shall include water, air, soil, light, sound, atmospheric pressure, temperature, and humidity.

"*Water treatment appliance or equipment*" shall mean a product designed to treat or remove any contaminant in water.

"*Environmental treatment appliance or equipment*" shall mean a product designed to treat or remove any contaminant in the environment.

"*Air cleaning appliance or equipment*" shall mean portable household electric cord connected room air cleaners (excluding ashtrays), defined more specifically as machines that (a) operate with an electrical source of power and contain a motor and fan for drawing air through a filter(s); (b) incorporate electrically charged plates in addition to a fan with a filter(s); (c) incorporate a negative ion generator in addition to a fan with a filter(s); or (d) incorporate a negative ion generator only.

I.

It is ordered, That respondent Associated Mills, Inc., a corporation, its successors and assigns, and its officers, representatives, agents and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, promotion, offering for sale, sale or distribution of the Pollenex Model WP120 Reverse Osmosis System or any other water treatment appliance or equipment, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from representing directly or by implication the performance characteristics of such water treatment appliance or equipment, including that any such appliance or equipment can or will treat or remove any contaminant or reduce any health-related risk associated with any contaminant in water, unless at the time of making the representation respondent possesses and relies upon a reasonable basis for each such representation.

II.

It is farther ordered, That respondent Associated Mills, Inc., a corporation, its successors and assigns, and its officers, representatives, agents and employees, directly or through any corporation,

subsidiary, division, or other device, in connection with the advertising, promotion, offering for sale, sale or distribution of any environmental treatment appliance or equipment, except air cleaning appliances or equipment, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from representing directly or by implication the expected life over which any such appliance or equipment can or will (i) treat or remove any contaminant in the environment, or (ii) reduce any health-related risks associated with any contaminant in the environment, unless at the time of making the representation respondent possesses and relies upon a reasonable basis for each such representation.

III.

For purposes of this order a "reasonable basis" shall consist of competent and reliable evidence which substantiates the representation. To the extent that the evidence of a reasonable basis consists of scientific or professional tests, experiments, analyses, research, studies or other evidence based on the expertise of professionals in the relevant area, such evidence shall be "competent and reliable" only if those tests, experiments, analyses, research, studies, or other evidence are conducted and evaluated in an objective manner by persons qualified to do so, using only procedures that are generally accepted in the profession as yielding accurate and reliable results.

IV.

It is further ordered, That respondent, its successors and assigns, and its officers, representatives, agents and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, promotion, offering for sale, sale or distribution of any product covered by this order, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, shall maintain written records:

1. Of all materials relied upon in making any claim or representation covered by this order;
2. Of all test reports, studies, surveys or demonstrations in its possession that materially contradict, qualify, or call into question the basis upon which respondent relied at the time of the initial

dissemination and each continuing or successive dissemination of any claim or representation covered by this order.

Such records shall be retained by respondent for a period of three years from the date respondent's advertisements, sales materials, promotional materials or post purchase materials making such claim or representation were last disseminated. Such records shall be made available to the Commission staff for inspection upon reasonable notice.

V.

It is further ordered, That respondent shall notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent such as dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, or any other change in the corporation which may affect compliance obligations arising out of this order.

VI.

It is further ordered, That respondent shall, within sixty (60) days after service of this order upon it, and at such other times as the Commission may require, file with the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this order.

IN THE MATTER OF

RONBY CORPORATION, ET AL.

MODIFYING ORDER IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT

Docket 8560. Consent Order, Mar. 12, 1964—Modifying Order, Apr. 27, 1989

This order modifies the Commission's 1964 order (64 FTC 1294) with Fred Astaire Dance Studios Corp., the corporate predecessor to the Ronby Corp., by providing students with absolute cancellation and refund rights.

ORDER MODIFYING ORDER TO CEASE AND DESIST

The Commission on January 26, 1989, issued its order to show cause why this proceeding should not be reopened and its order of March 12, 1964 ("the Commission order of 1964"), modified.

Ronby Corporation, Chester F. Casanave and Charles L. Casanave having consented to the reopening of this proceeding, to being added as parties respondent thereunder and to the modification of the Commission order of 1964, as set forth in the show cause order, and the Commission having placed the show cause order on the public record for thirty (30) days and no comments having been filed by interested persons,

Now, therefore, *it is hereby ordered*, that the Commission order of 1964 be, and it hereby is, modified, as follows:

(1) By inserting a Roman numeral one (I) before the *It is ordered* preamble of the 1964 order;

(2) By substituting revised language in the *It is ordered* preamble of the 1964 order, as provided below;

(3) By substituting revised language in numbered paragraphs 1., 4., 5., 6., 7. and 9. of the newly designated Part I of the order, as provided below;

(4) By deleting paragraphs 3. and 8. thereof;

(5) By renumbering paragraphs 4., 5., 6., 7. and 9. thereof as paragraphs 3., 4., 5., 6. and 7., respectively; and

(6) By adding new Parts II, III, IV, V, VI and VII, as provided below.