

Complaint

117 F.T.C.

IN THE MATTER OF

HOMESPUN PRODUCTS, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3483. Complaint, Mar. 17, 1994--Decision, Mar. 17, 1994*

This consent order prohibits, among other things, the California-based corporations and an officer, who purported to market pillows and Christmas ornaments, from making any material misrepresentations regarding earnings or profits of participants in any work opportunity and from making misrepresentations about the marketplace demand for any product or service for which the respondents are offering a work opportunity. In addition, the order sets a redress payment, however, based upon financial statements submitted by the respondents, the redress payments have been suspended.

Appearances

For the Commission: *Gerald E. Wright and Jeffrey Klurfeld.*

For the respondents: *William Wineberg, Broad, Schuld, Larson & Wineberg, San Francisco, CA.*

COMPLAINT

The Federal Trade Commission, having reason to believe that Home Spun Products, Inc., a corporation, G & S Marketing, Inc., a corporation, and Gregory A. Straw, individually and as an officer of said corporations ("respondents"), have violated Section 5 of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it would be in the public interest, alleges:

PARAGRAPH 1. Respondent Home Spun Products, Inc. is a California corporation, with its principal office or place of business at 201 Benton Court, Suisun, California.

Respondent G & S Marketing, Inc. is a California corporation, with its principal office or place of business at 201 Benton Court, Suisun, California.

Respondent Gregory A. Straw is an officer of the corporate respondents. Individually or in concert with others, he formulates, directs and controls the acts and practices of the corporate

respondents, including the acts and practices alleged in this complaint. His principal office and place of business is the same as that of the corporate respondents.

PAR. 2. Respondent Homespun Products, Inc. has disseminated advertising seeking individuals to assemble craft items and other products at home, and has offered for sale and sold start-up kits and craft materials to individuals who accept its offers to engage in such work.

Respondent G & S Marketing, Inc. has disseminated advertising soliciting individuals to incur the cost of a 900-number telephone call to obtain information identifying companies offering work-at-home opportunities, and has advertised and sold directories of firms offering work-at-home opportunities.

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

PAR. 4. Respondents have disseminated, and have caused to be disseminated advertisements, promotional literature, and agreements relating to their income opportunities, including but not necessarily limited to the attached Exhibits A and B. These materials contain the following statements:

\$627 WEEKLY AT HOME. Easy work, assemble products, start now! Call (900) 420-3017. 18 years/older. Three dollars a minute.

Turn your sewing machine into a money machine! That's right we pay up to \$627.00 per week...

TURN YOUR SEWING SKILLS INTO SIGNIFICANT INCOME! WE PAY UP TO \$627.00 A WEEK SEWING PILLOWS AT HOME!

Once you have the starter package, you'll be ready to earn money! --- WE PAY YOU UP TO \$627.00 A WEEK--month after month.

\$270.00 per week making simple Christmas ornaments year round!

WE PAY YOU UP TO \$450 WEEKLY [Christmas ornament]

PAR. 5. Through the use of the statements contained in the materials referred to in paragraph four, including but not necessarily limited to the materials attached as Exhibits A and B, respondents have represented, directly or by implication, that:

A. The stated dollar amounts constitute the weekly earnings regularly realized over a substantial period of time by an appreciable number of independent assemblers of respondents' products.

B. Respondents are fulfilling a significant marketplace demand for their products.

PAR. 6. In truth and in fact:

A. Independent assemblers of respondents' products have not regularly realized over a substantial period of time the weekly earnings represented. Only a small percentage of persons who assembled products for respondents have regularly derived earnings from their work, and none has achieved over a substantial period of time the weekly earnings represented.

B. Respondents are not fulfilling a significant marketplace demand for their products.

Therefore, the representations set forth in paragraph five were, and are, false and misleading.

PAR. 7. The acts and practices of respondents as alleged in this complaint, constitute unfair and deceptive acts or practices in or affecting commerce in violation of Section 5(a)(1) of the Federal Trade Commission Act.

EXHIBIT A

Country Living CLASSIFIED

Rates effective with the May 1991 issue: \$295 for 15 words or less \$10 for each word over 15. Payment with order required. All classified advertisements are positioned under appropriate heading. All classified are accepted at discretion of Country Living Magazine. Mail ad copy & payment to: COUNTRY LIVING CLASSIFIED, 50 Washington Street, So. Norwalk, CT 06854 • (203) 866-4845 or FAX (203) 838-1425

ANTIQUES

ANTIQUE-HOME-STUDY-COURSE for free brochure, write A.L.A., 1532 Havel Ave., Dept. 8912CL, Buffalo, NY 14216.

REPRODUCTION HARDWARE FOR ANTIQUE FURNITURE. Hooks, Trunks, Carving, etc. Mastercard, VISA, Discover. For \$2.50 Catalog refunded on \$25.00 purchase. 1-800-545-7947.

ARTS & CRAFTS

ANTIQUE CAROUSEL HORSES. Send LSASE for brochure. A SWISS REMEMBRANCE, 172 August Road, New Bedford, CT 06776-5411. (203) 353-3709.

ARTS & CRAFTS

GREETING CARDS WALL MOUNTING KIT. 3 popular sizes included. \$16.95 ppd. Specialty Colors/wood. SHALO ENTERPRISES, 7657 Wisconsin, Suite 137, Canoga Park, CA 91306. Catalogs \$2.00. Refundable with purchase. 818-700-8678.

HANDCRAFTED COUNTRY STENCILING on fabric. Free brochure. RAGGED KILL CREATIONS, Box 990, West Brookfield, MA 01581.

BEAUTIFULLY UNIQUELY HANDCRAFTED ROCKING HORSES and silhouettes. Brochure \$1.00. EQUESTRIAN COUNTRY CRAFTS, 275 South Four Street, Lake Mary, FL 32746.

STENCILS. Send LSASE for brochure. STENCILS BY ZULA, 113 Ridge State Road, Ashburnham, MA 01430.

VICTORIAN LACE POTHOLDER KITS! Scoured. Colors vary. \$3.00. Vintage Recipes for add'l \$2.50's. \$8.00/20. GREAT GRANDMA NELL'S, 16100 Promiser Road, Reno, Nevada 89506.

HANDCRAFTED AMISH DOLLS. Toys, furniture and much more. Send \$2.00 refundable to: CATALOG, Box 314, Prewsburg, NY 14738.

BASKETS

DISCOVER BASKET MAKING. Complete basket making supplies. Catalog \$1.00. O.H. PRODUCTIONS CL, 521 East Walnut Street, Scottsville, KY 42164.

BIRD LOVERS

WILSON WATCHERS: Through new device watching and feeding of the common crow. Easy anytime without causing disturbance to house. \$9.95 plus \$2.50 shipping and handling. P.O. Box 2094, Kokomo, IN 46901.

BOOKS & PERIODIC

SECONDARY MARKET PRICE

BUILDING MATERIALS

80 LARGE OLD HAND-HEWN LOGS from 22 x 70 ft. Call W.V. 304-643-6991 after 5:00pm.

BUSINESS OPPORTUNITIES

WE PAY YOU \$246 weekly for 10 years. Details, read FREE BROCHURE FOR P.O. Box 237, New York, NY 10001.

9537 WEEKLY AT HOME. Easy work, assemble products, start now! Call (800) 420-3017. 18 years/older. Three dollars a minute.

943336 WEEKLY POSSIBLE! Making hairbows at home. 943336. 1-800-545-7947.

EARN MONEY READING books! \$30,000/year income possible! Details. (805) 962-8000, Ext. Y-22422.

COLLECTIBLES

BLACK COLLECTIBLES, PHOTOS available. BECTON AND WATSON, P.O. Box 14298, Augusta, Georgia 30919. 804/796-1408.

DECORATIVE ACCESSORIES

BEAUTIFUL MEXICAN BLANKETS. Send \$2.00 for brochure (refundable) ARMADILLO IMPORTS, Box 850, Johnson City, Texas 78636.

HANDCRAFTED HANDPAINTED DECOR. Unparalleled in craftsmanship quality and collectability. Brochure \$2.50 (Refundable with purchase) DUCKS COVE INC., 180 Talbot Street, Suite 106, Rockville, Maryland 20850-1417, Dept. 391-47.

BEAUTIFY YOUR HOME! Helpful hints on decorating with color. Send \$2.00/LASE COLOR DESIGNS BY SARAH, Box 6132, Chantersfield, MD 20706.

DO-IT-YOURSELF

BUILD, RESTORE, REPAIR. Refinish! Carving, Molding, Brims, Handmade, Vases, Upholstery, Carving, Lamps. \$1 for unique wholesale catalog. VAN DYKE'S, Dept. 33, Woonsocket, RI 02895.

FINANCIAL

DEBT? BILLS PILING UP? Bad credit is no problem! We'll help. Licensed/Bonded. Applications accepted \$500-\$50,000. Not a loan company. UAC, Dept. CL, P.O. Box 26395, Birmingham, AL 35226 or call 24 hours (800) 228-6284.

FURNITURE

SOLID OAK SHELF, 18" x 6" with gallery rail. Medium finish. \$24.95 + \$3.00 s/h. Send \$2.00 for brochure. SHELF SHACK, Box 1256, Linden, CA 94551.

HAND BLEN

Catalog and loan. Fontaine, CA 923.

Country Living Magazine

August, 1991

WATCH REPL

Warranty! Exact weight color. 100% Uncompressed! Call (904) 764-3054.

BEAUTIFUL GOURMET GIFT BASKETS. Free Brochure. OLDS Tyme SWEETS, 25 Broad St., 0278, Fitchfield, MA 01728.

HELP WANTED

Send

with

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M

NUSSING HOME Comprehensive genealogical research. \$14.95. Greenwald, RI 02841.

OF

CORRECTABLE! Discount: 20 more. For add 6/75 tax. 1/274C, Newport Box

ANTIQUE QUILT

catalog \$3. TRADIT 5402.

IDAMO - WASHP wholesale prices. COMPANY, (800) 1

GOVERNMENT Property. Repossession 22423 for custom re

AUTHENTIC DU

BASE and \$3.00 se

AUTHENTIC GIN

alcoholic, dist-que 23303, Rochester, N

AMISH AMERIC

tion. 30 for \$5.00

STORE, Box 443, C

COMPLETE FLS

weaving, knobby & most fluting knits. N. ATLANTIC W/ CA 91516.

AUTHENTIC EA

flowers, candles, & B. 60567-4871.

IN RECEIPT FOR

BASE. ELEGANT W/ 54801.

200 RECIPES: F

FENCE DNR. 8842

DISNEY/EPICOT

meticulously made

DAYS/PRIMO VIL

SEASIDE COTT.

Tides! Fully equip

3629.

EASY FLORAL

gift idea. \$14.95

SUCCESS. Box 3

INVENTORS: C

AMERICAN IN-NA

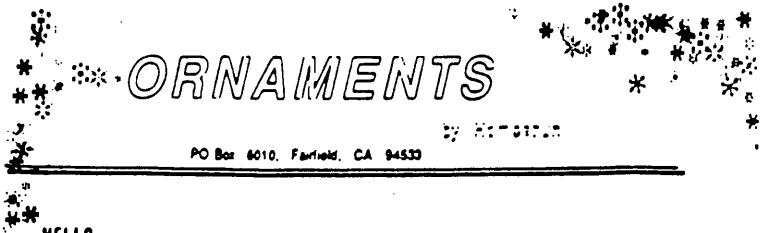
market. Over 2,000

1-800-545-7947

Complaint

117 F.T.C.

EXHIBIT B



ORNAMENTS

PO Box 6010, Fairfield, CA 94533

HELLO -

Let us introduce this unique opportunity to enjoy the Christmas Spirit all year round, and make money doing it! Homespun will instruct you in the age old art form of Quilling Ornaments. Italian nuns in the 17th century brought this art form to life and it still is in demand today. You can learn this skill, and no experience is needed. You will enjoy creating beautiful snowflake ornaments, and have the satisfaction of earning money at the same time! So come, join in the fun and revival of this charming art. Start quilling an heirloom today for a treasure tomorrow!!
(Quilling is a simple paper art, shaping strips of special paper and gluing them together to make an attractive ornament. It's easy!)

WE PAY YOU UP TO \$450.00 WEEKLY

HOMESPUN will pay you \$90 for every set of thirty six ornaments you make! We will purchase up to 5 sets weekly which totals \$450 right in the comfort of your own home, being your own boss.

Our company is presently in need of some hard working independent contractors to produce these ornaments. you work at your own pace. The amount of money you make will depend on your skills, the time you wish to spend, whether you do all the work yourself or have help. You may even sell these ornaments to others at higher prices, to make even more money, it's up to you!

HOW TO START:

First, fill out the application on the back side of this page. Return the application to the Homespun shipping department for immediate shipping of your starter kit. The kit will contain enough materials to produce five ornaments, instructions, color picture, pattern layout, and specifications on supplies.

NO SEWING OR TOOLS REQUIRED. NO EXPERIENCE NEEDED!

QUESTIONS, CALL DURING OUR CUSTOMER SERVICE HOURS 9:30 TO 3 PM
TOLL FREE 1-800-707-428-1345

EXHIBIT B

PAGE 1 OF 2 PAGES

EXHIBIT B

RETURN THIS FORM TO HOMESPUN PRODUCTS INC. PO BOX 6010 FAIRFIELD CA 94533

For Office Use Only

ORNAMENT-APPLICATION (Please Print or Type)

NAME _____
 ADDRESS _____
 CITY _____ STATE _____ ZIP _____
 PHONE _____ SOCIAL SECURITY NUMBER _____
 SIGNATURE _____ DATE _____

AD
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RU

HOMESPUN will send you a check in the amount of \$90.00 for each unit of 18 ORNAMENTS that you complete according to our written specifications, and send postage paid to Homespun. (\$70.00 labor plus \$20.00 supply cost = \$90.00 total). We currently limit our producers to only five units per week, a total of \$450.00. We will also reimburse for shipping, up to \$4.00 per unit on all units made according to our standards. (If you ship UPS, cost should be under \$4.00 in U.S.).

Since you are self-employed, you are responsible for your own tax records. We do not withhold income taxes, nor do we pay for unemployment benefits, or employee benefits of any kind. You are an independent contractor, with all these responsibilities. You may hire help, use your own methods, and sell elsewhere if you wish.

It is necessary for us to project production and inventory, so Homespun requires our producers to have their first unit in our office no later than 60 total days from the date of the starter package being mailed to you. All future units will have the same requirement. 60 days from the payment of the last unit. There is no payment for partially completed work or incomplete units. We reserve the right to refuse unsatisfactory work. We recommend submitting your first sample for approval before beginning production.

Supplies. As an independent contractor you have the right to obtain your own supplies. Buying needed items from your own sources below our suggested supply cost increases our profit per unit of ornaments. By law this is your right, to have this freedom to control your profit margin. Instructions on how and where to obtain supplies are given inside starter kit.

START NOW! Order your starter kit today, this registers you with our inspection department and allows us to receive work from you right away! simply fill out the above application, sign it, and send either a money order or check in the amount of \$39.95. This starter package contains supplies to make five ornaments, color photograph, pattern, instructions, and quality checklist (sample not included). This starter kit is sent on a nonrefundable basis. This fee also pays for computer time inspection of work and other administrative costs.

SAMPLE ONLY: You may order a finished sample on a refundable basis of \$7.00, this allows you to check out the opportunity on a refundable basis. Sample must be returned within 15 days for refund!

____ Money order or check for \$39.95 for starter package *NOT AVAILABLE IN CA.
 Includes shipping & handling First class mail (nonrefundable)

____ Sample ornament \$9.95 (\$7 plus \$2.95 shipping charge)-\$7 is refundable

____ **FAST SERVICE! SHIP MY KIT WITHIN 3 DAYS OF YOUR RECEIVING IT! \$3.95 EXTRA**



EXHIBIT B
 PAGE 2 OF 2 PAGES

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 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 respondents with violation of the Federal Trade Commission Act; and

The respondents, their attorney, 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 thereafter considered the matter and having determined that it had reason to believe that the respondents have 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 no comments having been 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 Homespun Products, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the State of California, with its principal office and place of business located at 201 Benton Court, Suisun, California.

Respondent G & S Marketing, Inc. is a corporation organized, existing, and doing business under and by virtue of the laws of the State of California, with its principal office or place of business located at 201 Benton Court, Suisun, California.

Respondent Gregory A. Straw is an officer of said corporation. He formulates, directs and controls the policies, acts and practices of said corporation and his address is the same as that of the corporation.

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

3. 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

For purposes of this order, the following definitions shall apply:

"*Work Opportunity*" means any offer to a person to earn income by producing goods or providing services, where (1) the offeree must pay to the offeror, or a person identified by the offeror, any amount of money, whether in the form of a registration, application or other fee, a payment for initial inventory or supplies, or in any other form, as a condition of participating; and (2) the offeror represents that the offeree will or could be compensated in any manner by the offeror or by a person identified by the offeror.

"*Participant*" means any person who pays the offeror of a work opportunity, or a person identified by such offeror, any amount of money, whether in the form of a registration, application or other fee, a payment for initial inventory or supplies, or in any other form, as a condition of participating in a work opportunity.

"*Net Earnings or Profits*" means the compensation paid to a participant in a work opportunity, less the costs to a participant of materials, supplies and shipping.

I.

It is ordered, That respondents Homespun Products, Inc., a corporation, G & S Marketing, Inc., a corporation, their successors and assigns, and their officers, and Gregory A. Straw, individually and as an officer of Homespun Products, Inc. and G & S Marketing, Inc., and respondents, agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the marketing, advertising, promotion, offering, or sale of any work opportunity, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Making any material misrepresentation, including but not limited to:

1. Misrepresenting the past, present or potential future earnings or profits of participants in any work opportunity; or
2. Misrepresenting the marketplace demand for any product or service for which respondents are offering a work opportunity.

B. Making any earnings-related or profit-related claim which uses the phrase "up to" or words of similar import or which states any dollar amount, unless the stated level of earnings or profits constitutes the net earnings or profits which can be achieved by an appreciable number of participants; and further, in any instances where consumers could not reasonably foresee the major factors or conditions affecting the ability to achieve the stated level of earnings or profits, cease and desist from failing to disclose clearly and prominently the class of consumers who can achieve the stated level.

II.

It is further ordered, That for three (3) years after the last date of dissemination of any representation covered by this order, respondents, or their successors and assigns, shall maintain and upon request make available to the Federal Trade Commission for inspection and copying:

A. Specimen copies of all materials disseminated which contain such representation;

B. All materials that were relied upon as substantiation in disseminating such representation;

C. The names, addresses and telephone numbers of all work opportunity participants who paid any money to respondents within the previous three years; and

D. The names, addresses and telephone numbers of all work opportunity participants who earned any income or profits from respondents during the previous three years, and for each such participant: all written agreements between respondents and each participant during the previous three years; and the dates and amounts of all payments paid to each participant for work completed pursuant to the work opportunity during the previous three years.

III.

It is further ordered:

A. That respondents Homespun Products, Inc., G & S Marketing, Inc. and Gregory A. Straw shall pay to the FTC as consumer redress the sum of one million and forty thousand dollars (\$1,040,000); provided however, that this liability will be suspended, subject to the provisions of subpart B below.

B. That the Commission's acceptance of this order is expressly premised upon the representations regarding the financial condition of the respective respondents made to the FTC in a "Financial Statement of Corporate Defendant" relating to Homespun Products, Inc., dated February 12, 1993; a "Financial Statement of Corporate Defendant" relating to G & S Marketing, Inc., dated February 12, 1993; a "Financial Statement of Debtor" executed by Gregory A. Straw, dated February 8, 1993; the federal income tax returns of Homespun Products, Inc. for 1990, 1991 and 1992; the federal income tax returns for G & S Marketing, Inc. for 1991 and 1992; and the federal income tax returns for Gregory A. Straw and Susan M. Straw for 1991 and 1992. After service upon respondents of an order to show cause, the FTC may reopen this proceeding to make a determination whether there are any material misrepresentations or omissions in said representations regarding the financial condition of the respective respondents. Respondents shall be given an opportunity to present evidence on this issue. If, upon consideration of respondents' evidence and other information before it, the FTC determines that there are any material misrepresentations or omissions in the financial statements and related documents, that determination shall cause the entire amount of monetary liability of one million and forty thousand dollars (\$1,040,000) to become immediately due and payable to the Federal Trade Commission, and interest computed at the rate prescribed in 28 U.S.C. 1961, as amended, shall immediately begin to accrue on the unpaid balance. Proceedings initiated under part III are in addition to, and not in lieu of, any other civil or criminal remedies as may be provided by law, including any proceedings the Federal Trade Commission may initiate to enforce this order.

IV.

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

V.

It is further ordered, That the individual respondent shall promptly notify the Commission of the discontinuance of his present business or employment and, for a period of five (5) years after the date of service of this order, shall promptly notify the Commission of each affiliation with a new business or employment.

VI.

It is further ordered, That respondents shall, within sixty (60) days after service of this order on them, and on the first through the fifth anniversaries of the effective date of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which they have complied with this order.

IN THE MATTER OF

SANDCASTLE CREATIONS, ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT

Docket C-3484. Complaint, Mar. 17, 1994--Decision, Mar. 17, 1994

This consent order prohibits, among other things, the Oregon-based respondents, who marketed potholders and mohair for use as doll's hair, from making any material misrepresentations regarding earnings or profits of participants in any work opportunity and from making misrepresentations about the marketplace demand for any product or service for, which the respondents are offering a work opportunity. In addition, the order sets a \$536,000 redress payment, however, based upon financial statements submitted by the respondents, the order suspends all redress payments, except for a \$25,000 payment by the individual respondents in this matter.

Appearances

For the Commission: *Gerald E. Wright and Jeffrey Klurfeld.*

For the respondents: *James Brown, Enfield, Guimont & Brown,*
Salem, OR.

COMPLAINT

The Federal Trade Commission, having reason to believe that William E. Taylor and Susan L. Taylor, individually, and trading and doing business as Sandcastle Creations ("respondents"), have violated Section 5 of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it would be in the public interest, alleges:

PARAGRAPH 1. Respondents William E. Taylor and Susan L. Taylor are individuals, trading and doing business as Sandcastle Creations, an unincorporated association, with its principal office and place of business located at 126 S.E. 1st Street, Newport, Oregon.

Respondent William E. Taylor is a co-owner of Sandcastle Creations. Individually or in concert with others, he formulates, directs and controls the policies, acts and practices of Sandcastle Creations and his address is the same as that of Sandcastle Creations.