

Complaint

IN THE MATTER OF

**R.S. of HOUSTON WORKSHOP, ET AL.**

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

*Docket C-3994; File No. 0023024*

*Complaint, January 12, 2001--Decision, January 12, 2001*

This consent order addresses representations by Respondent R.S. of Houston Workshop, a company, and Respondents Ronald J. Schoemmell and Valdimar Thorkelsson, owners and principals of the company, concerning the earnings and profit potential, and the extent of risk involved, in using the respondents' trading methods -- embodied in a training program they sell on the Internet -- for the daily buying and selling of stocks ("day trading"). The order, among other things, requires the respondents to have a reasonable basis substantiating any representation that users of their day trading program can reasonably expect to earn large profits, or as much as \$2,000 to \$5,000 per day on some days; to earn profits of \$500 to \$750 or more per day; to approach trading as a business and earn a consistent living from the markets; and to trade in volatile markets with low risk. The order also prohibits the respondents from misrepresenting that users of any trading program can reasonably expect to trade with little or no financial risk, and from misrepresenting the extent of risk to which users of any such program are exposed. In addition, the order requires the respondents to disclose, clearly and conspicuously, that "DAYTRADING involves HIGH RISKS and YOU can LOSE a lot of money.," in close proximity to any representation they make about the financial benefits of any trading program.

*Participants*

For the Commission: *Peter Lamberton, Stephen Gurwitz, and Eileen Harrington.*

For the Respondents: *Robert J. Becerra, Raskin & Raskin, P.A.*

**COMPLAINT**

The Federal Trade Commission, having reason to believe that R.S. of Houston Workshop, a company; Ronald J. Schoemmell, individually and as an owner and principal of the company; and Valdimar Thorkelsson, individually and as an owner and principal

## Complaint

of the company ("respondents"), have violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent R.S. of Houston Workshop is an unincorporated entity, a d/b/a of Valdimar Thorkelsson, who filed a Certificate of Operation Under Assumed Name on November 17, 1997, in Harris County, TX ("company"), with its principal office or place of business at 1419 Diamond Brook Drive, Houston, TX 77062.
2. Respondent Ronald J. Schoemmell is a fifty percent owner and principal of the company respondent. Individually or in concert with others, he formulates, directs, or controls the policies, acts, or practices of the company, including the acts or practices alleged in this complaint. His principal office or place of business is the same as that of R.S. of Houston Workshop.
3. Respondent Valdimar Thorkelsson is a fifty percent owner and principal of the company respondent. Individually or in concert with others, he formulates, directs, or controls the policies, acts, or practices of the company, including the acts or practices alleged in this complaint. His principal office or place of business is the same as that of R.S. of Houston Workshop.
4. Respondents have advertised, offered for sale, sold, and distributed trading programs, trading methods and training to the public. Respondents advise their clients to buy and sell stocks on a daily basis. Respondents sell their program, method and training through their Internet Web site, [www.rsfohouston.com](http://www.rsfohouston.com).
5. The acts and practices of respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act.
6. Respondents have disseminated or have caused to be disseminated Internet advertisements for their trading program or trading method and training, including but not necessarily limited

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to the attached Exhibit A, pages 1 through 4. These advertisements contain the following statements:

**“CAN TRADING REALLY BE MADE SIMPLE AND PROFITABLE? You Bet! Stop making trading more difficult than it should be. Let us show you how 4 incredibly simple techniques unlock the profit of the markets. So simple you will be amazed. You will say, “How did I never see this before , so simple yet so profitable?”**

“This is your BEST chance of succeeding at trading. Let us show you what will last you a lifetime of profitable and enjoyable trading.”

“Our method loves the volatility and we will show you how to trade these markets with LOW RISK.”

“Trade a few hours in the evening or early AM and profit nicely.”

“A more reasonable expectation is to average between \$500-\$750 pr. contract/day and look to make \$2,500-\$3,500 pr. contract/week. Of course you will have days when you make \$2,000, \$3,000 or even \$5,000 but you won’t be able to do that all the time. This is what the RS of Houston methodology is about, going for small consistent wins and hitting the occasional home run. This enables you to approach trading as a business and earn a consistent living from the markets.”

“The RS of Houston methodology for trading works especially well for daytrading the S&P 500 due to its high intraday volatility. The methodology is also quite effective on several other markets in a daily time frame.”

7. Through the means described in Paragraph 6, respondents have represented, expressly or by implication, that:

## Complaint

- a. That users of respondents' trading program or trading method can reasonably expect to earn large profits, or as much as \$2,000 to \$5,000 per day on some days;
  - b. That users of respondents' trading program or trading method can reasonably expect to earn profits of \$500 to \$750 or more per day;
  - c. That users of respondents' trading program or training method can reasonably expect to approach trading as a business and earn a consistent living from the markets;
  - d. That users of respondents' trading program or trading method can reasonably expect to trade in volatile markets with low risk;
  - e. Testimonials appearing in the advertisements for respondents' trading program or trading method reflect the typical or ordinary experience of members of the public who use the program or method.
8. Through the means described in Paragraph 6, respondents have represented, expressly or by implication, that they possessed and relied upon a reasonable basis that substantiated the representations set forth in Paragraph 6, at the time the representations were made.
9. In truth and in fact, respondents did not possess and rely upon a reasonable basis that substantiated the representations set forth in Paragraph 7, at the time the representations were made. Therefore, the representation set forth in Paragraph 8 was, and is, false or misleading.
10. Through the means described in Paragraph 6, respondents have represented, expressly or by implication that users of respondents' trading program or trading method can reasonably expect to trade with little financial risk.

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11. In truth and in fact, users of respondents' trading program or trading method cannot reasonably expect to trade with little financial risk. Therefore, the representation set forth in Paragraph 10 was, and is, false or misleading.

12. The acts and practices of respondents 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.

THEREFORE, the Federal Trade Commission this twelfth day of January 2001, has issued this complaint against respondents.

# EXHIBIT A

## **RS OF HOUSTON WORKSHOP**

THE SIMPLE AND PROFITABLE WAY TO TRADE

**SIMPLY REGISTER FOR YOUR 2 FREE  
REPORTS**

**LATEST UP TO DATE REAL LIFE  
TESTIMONIALS**

### **CAN TRADING REALLY BE MADE SIMPLE AND PROFITABLE?**

You Bet!! Stop making trading more difficult than it should be. Let us show you how 4 incredibly simple techniques unlock the profit of the markets. So simple you will be amazed. You will say, "How did I never see this before, so simple yet so profitable?"

Just imagine, NO MORE lagging indicators, diverging oscillators, cycles, waves, channels, Gann, ellipses, pitchforks, astrology etc. NOTHING - JUST THE PRICE CHART ITSELF .

These techniques have worked since the markets have been in existence. Why? Because it is the market ITSELF telling you where it's going (or wants to go).

This is your BEST chance of succeeding at trading. Let us show you what will last you a lifetime of profitable and enjoyable trading. 90% of traders use the same old tired indicators and 90% of traders lose money !! Maybe there is a correlation?

To profit in the markets you need to be doing something different. Get rid of all the curve-fitted, over-optimized garbage proliferated in current trading education programs and mechanical trading software. You know what we're referring to, the stuff that only works in hindsight and then falls apart when your money is on the line.

**OUR APPROACH IS WHAT YOU HAVE BEEN SEARCHING FOR. IT'S ALL YOU NEED, INCLUDING COMPLETE RULES FOR MONEY AND TRADE MANAGEMENT.**

Have you quit or shied away from trading the volatile markets we have seen lately? If you have, you are missing out on great opportunity for profits. Our method loves the volatility and we will show you how to trade these markets with LOW RISK. Let 1999 be your breakout year.

**GOOD NEWS: YOU DON'T HAVE TO GIVE UP YOUR DAY JOB TO  
"DAYTRADE" !**

The markets are now open round the clock. If you have a full time job and always wanted to daytrade, but couldn't , NOW IS YOUR CHANCE. Trade a few hours in the evening or early AM and profit nicely. You pick the time to match your schedule. We will show you how.

**HOME STUDY COURSE or ON-SITE TRAINING the choice is yours.**

**COME LEARN AND WATCH US TRADE OUR MONEY FOR REAL!!**

**NOW'S THE TIME TO GO FOR IT IN 1999.**

R. S. of Houston  
Exhibit A, p. 1 of 4

Next



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LONG BEACH, CALIFORNIA  
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Last revision 7/3/99

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## RS OF HOUSTON WORKSHOP

THE SIMPLE AND PROFITABLE WAY TO TRADE

Dear Trader,

We appreciate your interest in the RS of Houston Short-term and Daytrading Workshop. We are confident that you will benefit greatly from our workshop and it will improve your trading. We do not make outrageous unsubstantiated claims to appeal to your greed and give you false hopes, but do tell you what we believe is realistically possible. Furthermore, we pledge to work with you as long as it takes for you to master the methodology.

Anyone can trade a chart with 20/20 hindsight and make a ton of money on paper, but it's a whole different ball game when those price bars are coming at you from the hard-right edge of the screen and the patterns are unfolding in real-time. In our workshop you will learn the RS of Houston methodology and observe RS and his trading partner trading the S&P500 futures live and be able to follow their thought process as they analyze the market. Win, lose or draw, the results are there for everyone to see. This is a course for traders, developed by traders who put their money where their mouth is and practice what they preach.

We don't pretend to only pick winners. There will be losing trades and losing days, but that is all part of trading. Our philosophy is that you can't expect to consistently make \$1,000-\$1,500 pr. day in the markets (at least not on a one-lot), contrary to what some vendors would have you believe. A more reasonable expectation is to average between \$500-\$750 pr. contract/day and look to make \$2,500-\$3,500 pr. contract/week. Of course you will have days when you make \$2,000, \$3,000 or even \$5,000 but you won't be able to do that all the time. This is what the RS of Houston methodology is about, going for small consistent wins and hitting the occasional home run. This enables you to approach trading as a business and earn a consistent living from the markets.

The RS of Houston methodology for trading works especially well for daytrading the S&P 500 due to its high intraday volatility. The methodology is also quite effective on several other markets in a daily timeframe. This will all be explained in the workshop with suggestions for short-term traders who wish to trade the "dailies"

Please take the time to examine our web site carefully, if after reviewing the material you feel that the RS of Houston Workshop might be something for you, contact us as soon as possible to reserve your space in one of the upcoming workshops. Space is limited and we expect them to fill up quickly.

Sincerely,  
Valdi Thorkelsson.

(The CFTC requires that we state: THERE IS A RISK OF LOSS IN FUTURES TRADING)



[Home](#) [Next](#)

R. S. of Houston  
Exhibit A, p. 3 of 4



E-mail us

Copyright R.S. of Houston Workshop.  
Last revision 7/3/99  
Site designed & developed by:  
**Smart Web Tips**  
[www.smartwebtips.com](http://www.smartwebtips.com)

Decision and Order

## **DECISION AND ORDER**

The Federal Trade Commission (“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 complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violations of the Federal Trade Commission Act; and

Respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by respondents of all the jurisdictional facts set forth in the aforesaid draft 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, or that the facts as alleged in such complaint, other than jurisdictional facts, are true 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 respondents have violated the said Act, and that the complaint should issue stating its charges in that respect, and having thereupon accepted the aforementioned executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, now in further conformity with the procedure prescribed in § 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent R.S. of Houston Workshop is an unincorporated entity, a d/b/a of Valdimar Thorkelsson, who filed a Certificate of Operation Under Assumed Name on November 17, 1997, in Harris County, TX (“company”), with its principal office or place of business at 1419 Diamond Brook Drive, Houston, TX 77062.
2. Respondent Ronald J. Schoemmell is a fifty percent owner and principal of the company respondent. Individually or in concert with

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others, he formulates, directs, or controls the policies, acts, or practices of the company. His principal office or place of business is the same as that of R.S. of Houston Workshop.

3. Respondent Valdimar Thorkelsson is a fifty percent owner and principal of the company respondent. Individually or in concert with others, he formulates, directs, or controls the policies, acts, or practices of the company. His principal office or place of business is the same as that of R.S. of Houston Workshop.

**ORDER**

## DEFINITIONS

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

1. "Clearly and conspicuously" shall mean as follows:
  - A. In an advertisement communicated through an electronic medium (such as television, video, radio, and interactive media such as the Internet and online services), the disclosure shall be presented simultaneously in both the audio and visual portions of the advertisement. *Provided, however*, that in any advertisement presented solely through visual or audio means, the disclosure may be made through the same means in which the ad is presented. The audio disclosure shall be delivered in a volume and cadence sufficient for an ordinary consumer to hear and comprehend it. The visual disclosure shall be of a size and shade, and shall appear on the screen for a duration, sufficient for an ordinary consumer to read and comprehend it.
  - B. In a print advertisement, promotional material, or instructional manual, the disclosure shall be in a type size and location sufficiently noticeable for an ordinary consumer to read and comprehend it, in

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print that contrasts with the background against which it appears.

- C. On a product label, the disclosure shall be in a type size and location on the principal display panel sufficiently noticeable for an ordinary consumer to read and comprehend it, in print that contrasts with the background against which it appears.

The disclosure shall be in understandable language and syntax. Nothing contrary to, inconsistent with, or in mitigation of the disclosure shall be used in any advertisement or on any label.

2. In the case of advertisements disseminated by means of an interactive electronic medium such as the Internet or other online services, "in close proximity" shall mean on the same Web page and proximate to the triggering representation, and not on other portions of the Web site, accessed or displayed through hyperlinks or other means.

3. "Commerce" shall mean as defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.

4. "Trading program" or "trading method" shall mean any program, method, service, course, instruction, system, training, manual, computer software, or other materials involving the purchase or sale of stocks, currencies, commodity futures, options, or other financial instruments or investments.

5. Unless otherwise specified, "respondents" shall mean R.S. of Houston Workshop, a company, its successors and assigns and its officers, owners and principals; Ronald J. Schoemmell, individually and as a fifty percent owner and principal of the company; and Valdimar Thorkelsson, individually and as a fifty percent owner and principal of the company; and each of the above's agents, representatives, and employees.

## Decision and Order

## I.

IT IS ORDERED that respondents, directly or through any company, corporation, subsidiary, division, trade name, or other device, in connection with the advertising, promotion, offering for sale, sale, or distribution of any trading program or trading method, in or affecting commerce, shall not represent, in any manner, expressly or by implication:

- A. That users of respondents' trading program or trading method can reasonably expect to earn large profits, or as much as \$2,000 to \$5,000 per day on some days;
- B. That users of respondents' trading program or trading method can reasonably expect to earn profits of \$500 to \$750 or more per day;
- C. That users of respondents' trading program or trading method can reasonably expect to approach trading as a business and earn a consistent living from the markets;
- D. That users of respondents' trading program or trading method can reasonably expect to trade in volatile markets with low risk;
- E. The amount of earnings, income, or profit that a prospective user could reasonably expect to attain; or
- F. Any financial benefit or other benefit of any kind from the purchase or use of such trading program or trading method;

unless respondents possess and rely upon a reasonable basis substantiating the representation at the time it is made.

## II.

IT IS FURTHER ORDERED that respondents, directly or through any company, corporation, subsidiary, division, trade name, or other device, in connection with the advertising, promotion,

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offering for sale, sale, or distribution of any trading program or trading method, in or affecting commerce, shall not misrepresent, in any manner, expressly or by implication,

- A. That users of the program or method can reasonably expect to trade with little or no financial risk; or
- B. The extent of risk to which users of the program or method are exposed.

III.

IT IS FURTHER ORDERED that respondents, directly or through any company, corporation, subsidiary, division, trade name, or other device, in connection with the advertising, promotion, offering for sale, sale, or distribution of any trading program or trading method, in or affecting commerce, shall not make any representation, in any manner, expressly or by implication, about the financial benefits of such program, unless they disclose, clearly and conspicuously, and in close proximity to the representation,

**"DAYTRADING involves high risks and YOU can LOSE a lot of money."**

Provided, the disclosure required by this Part is in addition to, and not in lieu of, any other disclosure that respondents may be required to make, including but not limited to any disclosure required by state or federal law or by a self-regulatory organization. The requirements of this Part are not intended to, and shall not be interpreted to, exempt respondents from making any other disclosure.

IV.

IT IS FURTHER ORDERED that respondents, directly or through any company, corporation, subsidiary, division, trade name, or other device, in connection with the advertising, promotion, offering for sale, sale, or distribution of any trading program or trading method, in or affecting commerce, shall not represent, in any manner, expressly or by implication, that the experience represented

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by any user, testimonial or endorsement of the trading program or trading method represents the typical or ordinary experience of members of the public who use the trading program or trading method unless:

- A. Respondents possess and rely upon a reasonable basis substantiating the representation at the time it is made; or
- B. Respondents disclose, clearly and conspicuously, and in close proximity to the endorsement or testimonial, either:
  - 1. what the generally expected results would be for users of the trading program or trading method, or
  - 2. the limited applicability of the endorser's experience to what users may generally expect to achieve, that is, that users should not expect to experience similar results.

For purposes of this Part, "endorsement" shall mean as defined in 16 C.F.R. § 255.0(b).

## V.

IT IS FURTHER ORDERED that respondent R.S. of Houston Workshop, and its successors and assigns; respondent Ronald J. Schoemmell; and respondent Valdimar Thorkelsson shall, for five (5) years after the last date of dissemination of any representation covered by this order, maintain and upon request make available to the Federal Trade Commission for inspection and copying:

- A. All advertisements and promotional materials (including packaging) containing the representation;
- B. All materials that were relied upon in disseminating the representation; and
- C. All tests, reports, studies, surveys, demonstrations, or other evidence in their possession or control that contradict, qualify, or call into question the representation, or the basis relied upon

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for the representation, including complaints and other communications with consumers or with governmental or consumer protection organizations.

VI.

IT IS FURTHER ORDERED that respondent R.S. of Houston Workshop, and its successors and assigns; respondent Ronald J. Schoemmell; and respondent Valdimar Thorkelsson shall deliver a copy of this order to all current and future principals, officers, directors, and managers, and to all current and future employees, agents, and representatives having responsibilities with respect to the subject matter of this order, and shall secure from each such person a signed and dated statement acknowledging receipt of the order. Respondents shall deliver this order to current personnel within thirty (30) days after the date of service of this order, and to future personnel within thirty (30) days after the person assumes such position or responsibilities. Respondents shall maintain and upon request make available to the Commission for inspection and copying each such signed and dated statement for a period of five (5) years after creation.

VII.

IT IS FURTHER ORDERED that respondent R.S. of Houston Workshop, and its successors and assigns shall notify the Commission at least thirty (30) days prior to any change in the company that may affect compliance obligations arising under this order, including but not limited to a dissolution of a subsidiary, parent or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in the company name or address. *Provided, however,* that, with respect to any proposed change in the company about which respondent learns less than thirty (30) days prior to the date such action is to take place, respondent shall notify the Commission as soon as is practicable after obtaining such knowledge.

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## VIII.

IT IS FURTHER ORDERED that respondent Ronald J. Schoemmell, for a period of seven (7) years after the date of issuance of this order, shall notify the Commission of the discontinuance of his current business or employment, or of his affiliation with any new business or employment. The notice shall include respondent's new business address and telephone number and a description of the nature of the business or employment and his duties and responsibilities.

## IX.

IT IS FURTHER ORDERED that respondent Valdimar Thorkelsson, for a period of seven (7) years after the date of issuance of this order, shall notify the Commission of the discontinuance of his current business or employment, or of his affiliation with any new business or employment. The notice shall include respondent's new business address and telephone number and a description of the nature of the business or employment and his duties and responsibilities.

## X.

IT IS FURTHER ORDERED that respondents R.S. of Houston Workshop, and its successors and assigns; respondent Ronald J. Schoemmell; and respondent Valdimar Thorkelsson shall, within sixty (60) days after the date of service of this order, and at such other times as the Federal Trade Commission may require, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

## XI.

This order will terminate on January 12, 2021, or twenty (20) years from the most recent date that the United States or the Federal Trade Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation

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of the order, whichever comes later; *provided, however*, that the filing of such a complaint will not effect the duration of:

- A. Any Part in this order that terminates in less than twenty (20) years;
- B. This order's application to any respondent that is not named as a defendant in such complaint; and
- C. This order if such complaint is filed after the order has terminated pursuant to this Part.

*Provided further*, that if such complaint is dismissed or a federal court rules that the respondent did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order will terminate according to this Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later of the deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

XII.

All notices required to be sent to the Commission pursuant to this Order shall be sent by certified mail to the Associate Director, Division of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 601 Pennsylvania Avenue, N.W., Washington, D.C. 20580. ATTN: In the Matter of R.S. of Houston Workshop.

By the Commission.

## Analysis

**Analysis of Proposed Consent Order to Aid Public Comment**

Issued when the Commission tentatively approved a proposed consent order on October 6, 2001

The Federal Trade Commission has accepted, subject to final approval, an agreement containing a consent order from R.S. of Houston Workshop, a company, and Ronald J. Schoemmell and Valdimar Thorkelsson, fifty percent owners and principals of the company, individually and as officers of the company (together, “respondents”).

The proposed consent order has been placed on the public record for thirty (30) days for receipt of comments by interested persons. Comments received during this period will become part of the public record. After thirty (30) days, the Commission will again review the agreement and the comments received, and will decide whether it should withdraw from the agreement or make final the agreement’s proposed order.

Respondents sell a training program for a trading method on the Internet for the daily buying and selling of stocks (also known as “day trading”). They advertise on their Internet Web site, [www.rssofhouston.com](http://www.rssofhouston.com). This matter concerns allegedly deceptive representations of the earnings and profit potential, as well as the extent of risk involved in using respondents’ trading programs and trading methods.

The Commission’s proposed complaint alleges that respondents made unsubstantiated claims that users of respondents’ trading programs and trading methods could reasonably expect to earn large profits, as much as six figures annually (*i.e.*, more than \$182,000); that users of respondents’ trading programs and trading methods could reasonably expect consistent investment returns of \$2,500 to \$3,500 per week; that users of respondents’ trading programs and trading methods could reasonably expect to succeed at day trading for a lifetime of profitable and enjoyable trading; and that testimonials appearing in the advertisements for respondents’ trading programs and trading methods reflected the typical or ordinary experience of members of the public who use the program. In addition, the complaint alleges that respondents misrepresented that users of

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respondents' trading programs and trading methods could trade in volatile markets with LOW RISK.

The proposed consent order contains provisions designed to prevent respondents from engaging in similar acts and practices in the future.

Part I of the proposed order requires respondents to have a reasonable basis substantiating any representation that users of respondents' day trading program can reasonably expect to earn large profits: (1) that users of respondents' trading program or trading method can reasonably expect to earn large profits, or as much as \$2,000 to \$5,000 per day on some days; (2) that users of respondents' trading program or trading method can reasonably expect to earn profits of \$500 to \$750 or more per day; (3) that users of respondents' trading program or trading method can reasonably expect to approach trading as a business and earn a consistent living from the markets; and (4) that users of respondents' trading program or trading method can reasonably expect to trade in volatile markets with low risk. Part I also requires respondents to possess a reasonable basis substantiating claims about the amount of earnings, income, or profit that a prospective user of any trading program or trading method could reasonably expect to attain, or about any financial benefit or other benefit from the purchase or use of any such trading program or trading method.

Part II of the proposed order prohibits respondents from misrepresenting that users of any trading program can reasonably expect to trade with little or no financial risk and from misrepresenting the extent of risk to which users of any such program are exposed.

Part III of the proposed order requires respondents to disclose, clearly and conspicuously, "DAYTRADING involves HIGH RISKS and YOU can LOSE a lot of money." in close proximity to any representation they make about the financial benefits of any trading program. This disclosure is in addition to, and not instead

## Analysis

of, any other disclosure that respondents may be required to make.

Part IV of the proposed order prohibits respondents from representing without a reasonable basis that the experience represented by any user, testimonial or endorsement of any trading program represents the typical or ordinary experience of members of the public who use the program; or respondents must disclose either what the generally expected results would be for users of the trading program, or the limited applicability of the endorser's experience to what users may generally expect to achieve, that is, that users should not expect to experience similar results.

Parts V and VI of the proposed order require respondents to keep copies of relevant advertisements and materials substantiating claims made in the advertisements and to provide copies of the order to certain personnel. Part VII requires R.S. of Houston Workshop to notify the Commission of any changes in the corporate structure that might affect compliance with the order. Parts VIII and IX require that individual respondents Ronald J. Schoemmell and Valdimar Thorkelsson, respectively, to notify the Commission of changes in their employment status for a period of seven years. Part X requires respondents to file compliance reports with the Commission. Part XI provides that the order will terminate after twenty (20) years under certain circumstances.

The purpose of this analysis is to facilitate public comment on the proposed order. It is not intended to constitute an official interpretation of the agreement and proposed order or to modify in any way their terms.

Complaint

IN THE MATTER OF

**WFS ENTERPRISES, INC. d/b/a  
THE CASH NURSERY, ET AL.**

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

*Docket C-4129; File No. 0023025  
Complaint, January 3, 2001--Decision, January 3, 2001*

This consent order addresses representations by Respondent W.F.S. Enterprises, Inc., doing business as The Cash Nursery, and Respondents Rabb Sabin and Arthur Smith, officers of the corporation, concerning the earnings and profit potential, and the extent of risk involved, in using the respondents' trading methods -- embodied in a training program they sell on the Internet -- for the daily buying and selling of stock and commodity options ("day trading"). The order, among other things, requires the respondents to possess a reasonable basis substantiating any representation (1) that users of their currency trading program can reasonably expect to earn large profits; and (2) that users of their commodity and stock option trading program can reasonably expect to earn large profits, or as much as six figures annually; to realize consistent investment returns of 100 percent to 500 percent on their trades; and to secure returns of 100 percent or better on 90 percent or more of their trades. The order also prohibits the respondents from misrepresenting that users of any trading program can reasonably expect to trade with little or no financial risk, and from misrepresenting the extent of risk to which users of any such program are exposed. In addition, the order requires the respondents to disclose, clearly and conspicuously, that "Stock, commodity futures, and stock or commodity options trading involve HIGH RISKS and YOU can LOSE a lot of money.," in close proximity to any representation they make about the financial benefits of any trading program.

*Participants*

For the Commission: *Karen Leonard, Stephen Gurwitz, and Eileen Harrington.*

For the Respondents: *Paul W. Thomas, Paul W. Thomas and Associates.*