

UNITED STATES DISTRICT COURT
DISTRICT OF SOUTH CAROLINA
BEAUFORT DIVISION

Case No. _____

FEDERAL TRADE COMMISSION,)
)
Plaintiff,)
)
v.)
)
CORNERSTONE MARKETING LLC,)
a South Carolina limited liability company,)
)
SIDNEY PUTNAM,)
individually and d/b/a Prime Time Marketing,)
Prestige Marketing, Metropolitan Placement)
Services, and Best Locations,)
)
CAROL PUTNAM,)
individually and d/b/a Prestige Marketing and)
Best Locations,)
)
CHRISTOPHER PUTNAM,)
individually and as a member, organizer, or)
manager of Cornerstone Marketing LLC, and)
)
MELANIE PUTNAM,)
individually and d/b/a Prestige Marketing and)
Best Locations,)
)
Defendants.)

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER EQUITABLE RELIEF

Plaintiff, the Federal Trade Commission (“FTC” or “the Commission”), for its complaint alleges the following:

1. The FTC brings this action under Sections 5(a) and 13(b) of the FTC Act, 15 U.S.C.

§§ 45(a) and 53(b), to obtain permanent injunctive relief, rescission of contracts, restitution, disgorgement, and other equitable relief, including temporary and preliminary relief, for Defendants' violations of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

JURISDICTION AND VENUE

2. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345, and 15 U.S.C. § 53(b). This action arises under 15 U.S.C. § 45(a)(1).
3. Venue in the United States District Court for the District of South Carolina is proper under 28 U.S.C. §§ 1391(b) and (c), and 15 U.S.C. § 53(b).

THE PARTIES

4. Plaintiff, the Federal Trade Commission, is an independent agency of the United States Government created by statute. 15 U.S.C. §§ 41 et seq. The Commission is charged, inter alia, with enforcement of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting commerce. The Commission is authorized to initiate federal district court proceedings, by its own attorneys, to enjoin violations of the FTC Act in order to secure such equitable relief as may be appropriate in each case, and to obtain consumer redress. 15 U.S.C. § 53(b).
5. Defendant Cornerstone Marketing LLC ("Cornerstone") is a South Carolina limited liability company with its principal place of business located at 29 Towne Drive, Suite 381, Bluffton, South Carolina 29910. Cornerstone promotes and sells location or placement services to consumers who have purchased various types of business opportunity ventures from others. Cornerstone transacts or has transacted business in the District of South Carolina.

6. Defendant Sidney Putnam is an individual who has been doing business as Prime Time Marketing, Prestige Marketing, Metropolitan Placement Services, and Best Locations. At all times material to this complaint, Sidney Putnam, acting alone or in concert with others, formulated, directed, controlled or participated in the acts and practices set forth in this complaint. He resides or transacts business in the District of South Carolina.
7. Defendant Carol Putnam is an individual who has been doing business as Prestige Marketing and Best Locations. At all times material to this complaint, Carol Putnam, acting alone or in concert with others, formulated, directed, controlled or participated in the acts and practices set forth in this complaint. She resides or transacts business in the District of South Carolina.
8. Defendant Christopher Putnam is the member, organizer, and/or manager of Cornerstone Marketing LLC. At all times material to this complaint, Christopher Putnam, acting alone or in concert with others, formulated, directed, controlled or participated in the acts and practices set forth in this complaint. He resides or transacts business in the District of South Carolina.
9. Defendant Melanie Putnam is an individual who has been doing business as Prestige Marketing and Best Locations. At all times material to this complaint, Melanie Putnam, acting alone or in concert with others, formulated, directed, controlled or participated in the acts and practices set forth in this complaint. She resides or transacts business in the District of South Carolina.

COMMERCE

10. At all times relevant to this complaint, Defendants maintained a substantial course of

trade in the advertising, offering for sale, and selling of location services for business ventures and other products and services, in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

DEFENDANTS’ BUSINESS ACTIVITIES

11. Since at least 2000, Defendants have advertised, offered for sale, and sold location or placement services (hereinafter “location services”) to consumers who purchased display rack and vending machine business opportunity ventures, business ventures, or franchises (hereinafter collectively referred to as “business ventures”) from others.
12. In most instances, prospective purchasers of Defendants’ location services are referred or directed by the sellers of business ventures to contact Defendants to arrange for the placement of the vending machines or display racks that they are purchasing or have purchased. However, sometimes, the purchasers’ names are given by business venture sellers to Defendants to initiate the contact.
13. Defendants have also promoted their location services to prospective purchasers in their website. For example, the website for Best Locations stated:

Best Locations is the premier Location Company in North America. We have been providing the “best” vending locations for years! We want to place your machine in a location where you make a great return on investment. . . . if we take your work, we will finish it. . . . Best’s formula for success is a Return on Investment (ROI) of one year or less. . . . Guaranteed locations.
14. Defendants tell prospective purchasers that they will secure profitable locations for them. Defendants often represent that the locations they secure for prospective purchasers will be ones through which the prospective purchasers are likely to derive a certain number of

sales and/or substantial income.

15. For example, Defendant Sidney Putnam made the following representations regarding the location services provided by Prestige Marketing:

. . . once we receive the green light from Nationwide, John, we would be calling you to welcome you aboard with both Prestige Marketing and Nationwide Premium Cigars. . . . Some of the typical locations that we're going to be zeroing in on are going to be locations that we found to be successful in almost every market that we've come into. Now, these are going to be sports bars, night clubs, grocery stores, . . . convenience store, . . . gift stores in large hotels, like your Doubletree, your Sheraton, your Embassy Suites, that have independent gift stores on them. . . restaurants. . . golf courses and country clubs . . . We do ask you to give us 90 days to get you ramped up to four sales a day.

16. Defendants tell prospective purchasers that they must pay a fee, ranging from approximately \$150 to \$6000, depending on the type and number of display racks or vending machines to be placed by Defendants.
17. After the initial sales call, Defendants send a package of materials to prospective purchasers. The package typically includes, among other things, a welcoming letter and a contract.
18. The following is an example of a welcoming letter sent by Defendants:

Cornerstone Marketing

“We guarantee your success with top locations.”

. . . . You are considering investing in a business for which there is high consumer demand. The next step is one that puts your business into high gear. Prime locations are the key to success! We at Cornerstone want to be your locating choice. It is our goal to have 100% satisfied customers.

Our field representatives will come into your area, personally contact potential businesses and secure locations for your product.

19. Likewise, Defendants' contracts often state that prospective purchasers can expect to make a certain number of sales per day from each of their display racks or vending machines. For example, in contracts with consumers who purchased coffee display rack business ventures from USA Beverages, Defendants represented the following:

Prime Time warrants all locations for a period of one year and agrees to relocate, one time, any accounts that do not average sales of two large and two small bags of coffee per day, based on any 90-day period . . .

20. After the contract has been signed by the prospective purchaser, it is sent to Defendants along with a fee, which is approximately one-half of the payment stated in the contract, as a downpayment or deposit for the location services. The purchaser then pays the remainder of the contractual obligation directly to the person who secures locations for the purchaser.
21. However, after purchasers send their money to Defendants, Defendants often do not secure any locations for the purchasers at all, or secure locations for some, but not all, of the display racks or vending machines contracted for.
22. In addition, in numerous instances, consumers who purchase Defendants' location services fail to achieve the number of sales promised by Defendants. Likewise, consumers earn substantially less income than represented by Defendants. Moreover, consumers do not achieve a return of their investment within a year or less, as often represented by Defendants.

VIOLATIONS OF SECTION 5 OF THE FTC ACT

23. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), provides that "unfair or deceptive acts or

practices in or affecting commerce are hereby declared unlawful.”

24. As set forth below, Defendants, individually or in concert with others, have violated Section 5(a) of the FTC Act in connection with the advertising, offering for sale, and selling of location services to purchasers of business ventures.

COUNT I

Misrepresentations Regarding Locations

25. In numerous instances, in the course of advertising, offering for sale, and selling of location services to purchasers of business ventures, Defendants, directly or indirectly, represent, expressly or by implication, that, in exchange for the payment of a fee, they will secure locations for consumers’ vending machines or display racks.
26. In truth and in fact, after the consumers pay a fee to Defendants, Defendants in numerous instances do not secure any locations, or secure only some of the locations, for consumers’ vending machines or display racks.
27. Therefore, the Defendants’ representations as set forth in Paragraph 25 are false and misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT II

Misrepresentations Regarding Income

28. In numerous instances, in the course of advertising, offering for sale, and selling of location services to purchasers of business ventures, Defendants, directly or indirectly, represent, expressly or by implication, that consumers who purchase their location services will likely achieve a specified number of sales or earn substantial income from

the vending machines or display racks placed by Defendants.

29. In truth and in fact, in numerous instances, consumers who purchase Defendants' location services achieve far less than the specified number of sales or earn substantially less income than is represented by Defendants.
30. Therefore, Defendants' representations as set forth in Paragraph 28 are false and misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

CONSUMER INJURY

31. Consumers nationwide have suffered substantial monetary loss as a result of Defendants' violations of Section 5(a) of the FTC Act. Absent injunctive relief by this Court, Defendants are likely to continue to injure consumers and harm the public interest.

THIS COURT'S POWER TO GRANT RELIEF

32. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to grant injunctive and such other relief as the Court may deem appropriate to halt and redress violations of the FTC Act. The Court, in the exercise of its equitable jurisdiction, may award other ancillary relief, including but not limited to rescission of contracts, restitution, and disgorgement, to prevent and remedy injury caused by Defendants' violations of any provision of law enforced by the Federal Trade Commission.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff requests that this Court, as authorized by Section 13(b) of the FTC Act, 15 U.S.C. §§ 53(b), and pursuant to its own equitable powers:

1. Award Plaintiff such preliminary injunctive and ancillary relief as may be necessary to

avert the likelihood of consumer injury during the pendency of this action and to preserve the possibility of effective final relief, including, but not limited to, a temporary restraining order, a preliminary injunction, and an asset freeze;

2. Permanently enjoin the Defendants from violating the FTC Act, as alleged herein;
3. Award such relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of the FTC Act, including but not limited to rescission of contracts, restitution of monies paid, and disgorgement of ill-gotten gains; and
4. Such other and additional relief as the Court may determine to be just and proper.

Dated: June 28, 2006

Respectfully submitted,

William Blumenthal
General Counsel

HAROLD E. KIRTZ
JAMES T. ROHRER
225 Peachtree Street
Suite 1500
Atlanta, Georgia 30303
404-656-1357 (telephone)
404-656-1379 (fax)
Attorneys for the Plaintiff
Federal Trade Commission

LOCAL COUNSEL

s/John H. Douglas
JOHN H. DOUGLAS
Branch Supervisor, Charleston
U. S. Attorney, District of South Carolina
151 Meeting Street, 2d Floor
P.O. Box 978

Charleston, SC 29402
(843) 266-1666 (voice)
(843) 727-4443 (fax)
email: john.douglas@usdoj.gov