

**UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION**

In the Matter of	)	
JEANETTE L. DOUGLASS, individually and as an officer and director of Computer Business Services, Inc.,	)	FILE NO. 942-3311
	)	AGREEMENT CONTAINING
	)	CONSENT ORDER

The Federal Trade Commission has conducted an investigation of certain acts and practices of Jeanette L. Douglass, individually and as an officer and director of Computer Business Services, Inc. ("proposed respondent"). Proposed respondent, having been represented by counsel, is willing to enter into an agreement containing a consent order resolving the allegations contained in the attached draft complaint. Therefore,

**IT IS HEREBY AGREED** by and between Jeanette L. Douglass, individually, and counsel for the Federal Trade Commission that:

1. Proposed respondent Jeanette L. Douglass is an officer and director of Computer Business Services, Inc. and resides at 1934 Flippen Rd., Westfield, Indiana 46074. Her principal office or place of business is also at 1934 Flippen Rd., Westfield, Indiana 46074.
2. Proposed respondent admits all the jurisdictional facts set forth in the draft complaint.
3. Proposed respondent waives:
  - (a) Any further procedural steps;
  - (b) The requirement that the Commission's decision contain a statement of findings of fact and conclusions of law; and
  - (c) All rights to seek judicial review or otherwise to challenge or contest the validity of the order entered pursuant to this agreement.
4. This agreement shall not become part of the public record of the proceeding unless and until it is accepted by the Commission. If this agreement is accepted by the Commission, it, together with the draft complaint, will be placed on the public record for a period of sixty (60) days, and information about it publicly released. The Commission thereafter may either

withdraw its acceptance of this agreement and so notify proposed respondent, in which event it will take such action as it may consider appropriate, or issue and serve its complaint (in such form as the circumstances may require) and decision in disposition of the proceeding.

5. This agreement is for settlement purposes only and does not constitute an admission by proposed respondent that the law has been violated as alleged in the draft complaint, or that the facts as alleged in the attached draft complaint, other than the jurisdictional facts, are true.

6. This agreement contemplates that, if it is accepted by the Commission, and if such acceptance is not subsequently withdrawn by the Commission pursuant to the provisions of Section 2.34 of the Commission's Rules, the Commission may, without further notice to proposed respondent, (1) issue its complaint corresponding in form and substance with the attached draft complaint and its decision containing the following order in disposition of the proceeding, and (2) make information about it public. When so entered, the order to cease and desist shall have the same force and effect and may be altered, modified, or set aside in the same manner and within the same time provided by statute for other orders. The order shall become final upon service. Delivery of the complaint and the decision and order to proposed respondent by any means specified in Section 4.4 of the Commission's Rules shall constitute service. Proposed respondent waives any right she may have to any other manner of service. The complaint may be used in construing the terms of the order. No agreement, understanding, representation, or interpretation not contained in the order or in the agreement may be used to vary or contradict the terms of the order.

7. Proposed respondent has read the draft complaint and consent order. She understands that she may be liable for civil penalties in the amount provided by law and other appropriate relief for each violation of the order after it becomes final.

### **ORDER** **DEFINITIONS**

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

1. "Business venture" means any written or oral business arrangement, however denominated, whether or not covered by the Federal Trade Commission's trade regulation rule entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures," 16 C.F.R. Part 436, and which consists of payment of any consideration for:

- A. the right to offer, sell, or distribute goods, or services (whether or not identified by a trademark, service mark, trade name, advertising, or other commercial symbol); and

- B. more than nominal assistance to any person or entity in connection with or incident to the establishment, maintenance, or operation of a new business or the entry by an existing business into a new line or type of business.

2. "Clearly and prominently" shall mean as follows:

- A. In a television or video advertisement, the disclosure shall be presented simultaneously in both the audio and video portions of the advertisement. The audio disclosure shall be delivered in a volume and cadence sufficient for an ordinary consumer to hear and comprehend it. The video 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 radio advertisement, the disclosure shall be delivered in a volume and cadence sufficient for an ordinary consumer to hear and comprehend it.
- C. In a print or electronic advertisement, the disclosure shall be in a type size, and in a location, that is sufficiently noticeable for an ordinary consumer to see and read, in print that contrasts with the background against which it appears.

Nothing contrary to, inconsistent with, or in mitigation of the disclosure shall be used in any advertisement.

3. Unless otherwise specified, "respondent" shall mean ~~him~~ Jeanette L. Douglass, individually, and each of his agents, representatives and employees.

4. "In or affecting commerce" shall mean as defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.

5. "Automatic telephone dialing system" shall mean as defined in the Telephone Consumer Protection Act, 47 U.S.C. § 227(a)(1).

I.

**IT IS ORDERED** that respondent, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, promotion, offering for sale, sale or distribution of any business venture, shall not misrepresent, expressly or by implication:

- A. that consumers who purchase or use such business ventures ordinarily succeed in operating profitable businesses out of their own homes;
- B. that consumers who purchase or use such business ventures ordinarily earn substantial income;
- C. the existence of a market for the products and services promoted by respondent;

- D. the amount of earnings, income, or sales that a prospective purchaser could reasonably expect to attain by purchasing a business venture;
- E. the amount of time within which the prospective purchaser could reasonably expect to recoup his or her investment; or
- F. by use of hypothetical examples or otherwise, that consumers who purchase or use such business ventures earn or achieve from such participation any stated amount of profits, earnings, income, or sales. Nothing in this paragraph or any other paragraph of this order shall be construed so as to prohibit respondent from using hypothetical examples which do not contain any express or implied misrepresentations or from representing a suggested retail price for products or services.

## II.

**IT IS FURTHER ORDERED** that respondent, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, promotion, offering for sale, sale or distribution of any business venture, shall not represent, expressly or by implication, the performance, benefits, efficacy or success rate of any product or service that is a part of such business venture, unless such representation is true and, at the time of making the representation, respondent possesses and relies upon competent and reliable evidence that substantiates such representation. For purposes of this order, if such evidence consists of any test, analysis, research, study, or other evidence based on the expertise of professionals in the relevant area, such evidence shall be "competent and reliable" only if it has been conducted and evaluated in an objective manner by persons qualified to do so, using procedures generally accepted in the profession to yield accurate and reliable results.

## III.

**IT IS FURTHER ORDERED** that respondent, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, promotion, offering for sale, sale, or distribution of any business venture or any product or service that is part of any business venture in or affecting commerce, shall not:

- A. Use, publish, or refer to any user testimonial or endorsement unless respondent has good reason to believe that at the time of such use, publication, or reference, the person or organization named subscribes to the facts and opinions therein contained; or
- B. Represent, in any manner, expressly or by implication, that the experience represented by any user testimonial or endorsement of the product represents the

typical or ordinary experience of members of the public who use the product, unless:

1. the representation is true and, at the time it is made, respondent possesses and relies upon competent and reliable evidence that substantiates the representation; or
2. respondent discloses, clearly and prominently, and in close proximity to the endorsement or testimonial, either:
  - a. what the generally expected results would be for users of the product, or
  - b. the limited applicability of the endorser's experience to what consumers may generally expect to achieve, that is, that consumers should not expect to experience similar results.

Provided, however, that when endorsements and user testimonials are used, published, or referred to in an audio cassette tape recording, such disclosure shall be deemed to be in close proximity to the endorsements or user testimonials when the disclosure appears at the beginning and end of each side of the audio cassette tape recording containing such endorsements or user testimonials. Provided further, however, that when both sides of an audio cassette tape recording contain such endorsements or user testimonials, the disclosure need only appear at the beginning and end of the first side and the end of the second side of the audio cassette tape recording.

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

#### IV.

**IT IS FURTHER ORDERED** that respondent, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, promotion, offering for sale, sale or distribution of any business venture utilizing, employing or involving in any manner, an automatic telephone dialing system, shall disclose, clearly and prominently, and in close proximity to any representation regarding the use or potential use of an automatic telephone dialing system to transmit an unsolicited advertisement for commercial purposes without the prior express consent of the called party, that federal law prohibits the use of an automatic telephone dialing system to initiate a telephone call to any residential telephone line using an artificial or prerecorded voice to transmit an unsolicited advertisement for commercial purposes without the prior express consent of the called party unless a live operator introduces the message. Nothing in this paragraph or any other paragraph of this order shall be construed so as to prohibit respondent from making truthful statements or explanations regarding the laws and regulations

regarding the use of automatic telephone dialing systems.

V.

**IT IS FURTHER ORDERED** that respondent Jeanette L. Douglass shall for a period of 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 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 for the representation, including complaints and other communications with consumers or with governmental or consumer protection organizations.

VI.

**IT IS FURTHER ORDERED** that respondent Jeanette L. Douglass, for a period of five (5) years after the date of issuance of this order, 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. Respondent 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.

VII.

**IT IS FURTHER ORDERED** that respondent Jeanette L. Douglass, for a period of five (5) 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 addresses and telephone numbers and a description of the nature of the business or employment and his duties and responsibilities. All notices required by this Part shall be sent by certified mail to the Associate Director, Division of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C. 20580.

VIII.

**IT IS FURTHER ORDERED** that respondent Jeanette L. Douglass, 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.

IX.

This order will terminate twenty (20) years from the date of its issuance, 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 of the order, whichever comes later provided, however that the filing of such a complaint will not affect the duration of:

- A. Any Part in this order that terminates in fewer 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.

Signed this \_\_\_\_ day of \_\_\_\_\_, 1996

\_\_\_\_\_  
JEANETTE L. DOUGLASS

Signed this \_\_\_\_ day of \_\_\_\_\_, 1996

FEDERAL TRADE COMMISSION

By: \_\_\_\_\_  
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Attorney

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APPROVED:

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Director  
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information packets containing brochures and an audio cassette tape recording by the co-founders of CBSI, George and Jeanette Douglass. These materials, which are sent to prospective purchasers of home-based business ventures, contain the following statements:

- (a) In the last 13 years, we've identified over 30 needs and wants. Each one of them is easy to run, helps other people, and provides you a good profit. Computer Business Services has not only identified these 30 needs, but has developed the technology to perform these services easily and profitably. Along with the technology, we've developed all the strategies to perform these services, plus the ways to find the people that need these services, and you can do it all from your home.
- (b) Most of the couples and individuals that we've helped start their business have been extremely successful. . . .
- (c) Each one of the programs I'm about to explain to you provides a needed service to the people or organizations in your community. Each service adds value to the people's lives you serve, and you can be proud to provide these services. Each program is a proven money-maker, and is now being operated successfully by our present center owners.
- (d) Once you start to advertise your CBSI center, people know about it immediately and start coming to you for your services. Every business or organization needs to contact people and you have the only way to contact people quickly, inexpensively and effectively. Once this word gets out, you'll have to expand your services very rapidly, just as we did.
- (e) Now we've already helped thousands of couples and individuals turn into successful business people, and we believe we can help you, too.
- (f) If you get our CBSI computer program and follow our proven strategies, I really don't believe that you can do it badly enough not to be successful. Once you get the word out that you've got these programs available, people will come to you.
- (g) We right now have 30 services you can perform. We have thousands of center owners already earning good money, and I believe you can, too.
- (h) Now you have 24 hours in a day. You work 8, sleep 8, and have 8 free hours. If you take 8 free hours times 7 days a week, you have 56 hours. Divide that by two, and you have 28 hours that you can use in this business. Now I realize we not included weekends. If you use 28 hours per week to do this program, you will be extremely successful.

- (i) I can't guarantee your success. I can't guarantee that you'll make \$4,000 to \$10,000 a month. I don't know what's inside of you. But I do know this. Our services are needed in every community in the United States. Our programs really work, and you can earn more money than you ever dreamed possible if you will work our programs.
- (j) Most of the couples and individuals that we've helped start their business have been extremely successful and our relationship with them has been exhilarating.
- (k) This is a business that you can build a few customers at a time and reap the profits for a long time to come. I call it stack up income. You set it up once and get paid for it every month. So after a few years, you have big money coming in every month, even if you take a month off.
- (l) Each of these services is a proven money-maker in large cities, small towns and rural communities throughout the country.
- (m) Now some of our center owners use the computer dialing equipment for telemarketing on the unattended mode. Some just don't like to use the computer for telemarketing at all, and in some states, there are regulations that limit the use in the unattended mode. . . . Again, you must make the decision how you use your equipment. Some center owners do very well using their computer dialing equipment for finding people who want their products. Others use the unattended mode to find qualified prospects for insurance, real estate, chimney cleaning and so forth. If they call from 9:00 a.m. to 9:00 p.m., they usually can call around 1,000 people a day.

6. Respondent, in concert with CBSI, also has disseminated or has caused to be disseminated materials containing endorsements by and photographs of purported Center Owners who convey the impression that ordinary consumers can successfully start and operate one or a combination of CBSI's home-based business ventures. These materials include but are not necessarily limited to the attached Exhibit C. For example, these materials contain the following statements and depictions:

- (a) "LEE STOUT: I am a very satisfied CBSI Center Owner. Without my involvement with CBSI the opportunities that have become realities would not have been possible. The CBSI telecommunications program has enabled me to grow my business to the point where I can make \$100,000+ per year. . . . If I can be successful at this, anyone can!"
- (b) "DOUG STROUD: I earned \$101,865 in one year with my own CBSI business. I am running Voice Mail and Computer Home Monitor. CBSI software is the best available."

- (c) "CURTIS MAPP: I now have 258 subscribers to the CBSI Computerized Monitor Service program. Each subscriber is billed at \$30.00 per month, which means I'm earning over \$7,700 per month with this program alone."

7. Beginning no later than January 1991, and continuing through the present, respondent, in concert with CBSI, has sold home-based business ventures to approximately 15,000 consumers. Center Owners ordinarily spent between \$3,000 and \$16,000 on CBSI's products and services.

#### Profitability

8. Through the means described in Paragraphs 2 through 7, respondent, in concert with CBSI, has represented, expressly or by implication, that CBSI Center Owners ordinarily operate profitable businesses out of their own homes.

9. In truth and in fact CBSI Center Owners do not ordinarily operate profitable businesses out of their own homes. Indeed, it is rare for CBSI Center Owners to recoup even their initial investments.

10. Therefore, the representation set forth in Paragraph 8 was, and is, false or misleading.

#### Substantial Income

11. Through the means described in Paragraphs 2 through 7, respondent, in concert with CBSI, has represented, expressly or by implication, that:

- a0 CBSI Center Owners ordinarily earn substantial income.
- b0 CBSI Center Owners can reasonably expect to achieve a specific level of earnings, such as income of \$4,000 per month.

12. In truth and in fact:

- c0 CBSI Center Owners do not ordinarily earn substantial income. Indeed, the vast majority of Center Owners never even recoup their initial average investments of approximately \$9,000.
- d0 CBSI Center Owners can not reasonably expect to achieve a specific level of earnings, such as income of \$4,000 per month. Indeed, the vast majority of Center Owners not only never earn \$4,000 per month, but never earn \$4,000 over the duration of their businesses.

13. Therefore, the representations set forth in Paragraph 11 were, and are, false or misleading.

Endorsements: Actual Experiences

14. Through the means described in Paragraph 6, respondent, in concert with CBSI, has represented, expressly or by implication, that CBSI Center Owner endorsements appearing in CBSI's advertisements and promotional materials reflect the actual experiences of those Center Owners.
15. In truth and in fact, in numerous instances, CBSI Center Owner endorsements appearing in CBSI's advertisements and promotional materials do not reflect those Center Owners' actual experiences.
16. Therefore, the representation set forth in Paragraph 14 was, and is, false or misleading.

Endorsements: Typicality and Ordinarity

17. Through the means described in Paragraph 6, respondent, in concert with CBSI, has represented, expressly or by implication, that CBSI Center Owner endorsements appearing in CBSI's advertisements and promotional materials reflect the typical or ordinary experiences of Center Owners who have attempted to use CBSI's products or services.
18. In truth and in fact, CBSI Center Owner endorsements appearing in CBSI's advertisements and promotional materials do not reflect the typical or ordinary experiences of Center Owners who have attempted to use CBSI's products or services.
19. Therefore, the representation set forth in Paragraph 17 was, and is, false or misleading.

Substantiation for Earnings Claims

20. Through the use of the statements and depictions contained in CBSI's advertisements and promotional materials referred to in Paragraph 11, respondent, in concert with CBSI, has represented, expressly or by implication, that she, in concert with CBSI, possessed and relied upon a reasonable basis that substantiated the representations set forth in Paragraph 11, at the time the representations were made.
21. In truth and in fact, respondent, in concert with CBSI, did not possess and rely upon a reasonable basis that substantiated the representations set forth in Paragraph 11, at the time the representations were made. Therefore, the representation set forth in Paragraph 20 was, and is, false or misleading.

Automatic Telephone Dialing Systems

22. Through the means described in Paragraphs 3 through 7, respondent, in concert with CBSI, has represented, expressly or by implication, that consumers can successfully utilize automatic telephone dialing systems to market their businesses.

23. Respondent, in concert with CBSI, has failed to disclose in advertisements and promotional materials for the outbound telemarketing programs that federal law prohibits the use of an automatic telephone dialing system in the unattended mode to initiate a telephone call to any residential telephone line to transmit an unsolicited advertisement for commercial purposes without the prior express consent of the called party. This fact would be material to consumers in their purchase or use of CBSI's home-based business ventures. The failure to disclose this fact, in light of the representation made, was, and is, a deceptive practice.

24. 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.

THEREFORE, the Federal Trade Commission this        day of        , 1996, has issued this complaint against respondent.

By the Commission.

Donald S. Clark  
Secretary

SEAL:

[Exhibits A-C attached to paper copies of complaint, but not available in electronic form.]

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

The Federal Trade Commission has accepted an agreement, subject to final approval, to a proposed consent order from respondent Jeanette L. Douglass.

The proposed consent order has been placed on the public record for sixty (60) days for reception of comments by interested persons. Comments received during this period will become part of the public record. After sixty (60) days, the Commission will again review the agreement and the comments received and will decide whether it should withdraw from the agreement and take other appropriate action or make final the agreement's proposed order.

This matter concerns earnings and success claims made regarding business ventures promoted by respondent. The Commission's complaint charges that respondent, in concert with Computer Business Services, Inc. ("CBSI"), made false and unsubstantiated claims that consumers who purchase or use CBSI's business ventures ordinarily succeed and earn substantial income. In fact, the complaint alleges, the vast majority of consumers never even recoup their initial investment. The complaint also alleges that respondent falsely represented that endorsements appearing on CBSI's advertisements reflect the actual experiences of its customers and that those endorsements reflect the typical or ordinary experience of purchasers of CBSI's business ventures. Further, the complaint alleges that respondent represented that consumers can successfully utilize automatic telephone dialing systems to market their businesses but failed to disclose that federal law prohibits the use of such systems in the unattended mode to initiate a call to any residential telephone line in certain circumstances.

The proposed consent order contains provisions designed to remedy the violations charged and to prevent the respondent from engaging in similar acts and practices in the future. The proposed order extends to all business ventures and to all products or services that are part of any business venture.

Part I of the proposed consent order prohibits the respondent from misrepresenting the earnings or success of its purchasers, the existence of a market for the products or services promoted by respondent, or the amount of time within which a prospective purchaser can reasonably expect to recoup his or her investment. Part II of the proposed order prohibits the respondent from misrepresenting the performance, benefits, efficacy or success rate of any product or service that is a part of such business venture, unless at the time such representation is made the respondent possesses and relies upon competent and reliable evidence that substantiates the representation. Part III of the proposed order prohibits the respondent from misrepresenting that a user testimonial or endorsement is typical or ordinary and from using, publishing or referring to any user testimonial or endorsement unless respondent has good reason to believe that at the time of such use, publication or reference, the person or organization named subscribes to the facts and opinions stated therein. Part IV of the proposed order requires respondent to disclose, in close proximity to any representation regarding the use or potential use of an automatic telephone dialing system, that federal law prohibits the use of an automatic telephone dialing system to initiate a telephone call to any residential telephone line using an artificial or

prerecorded voice to transmit an unsolicited advertisement for commercial purposes without the prior express consent of the called party unless a live operator introduces the message.

The remaining parts of the proposed consent order require the respondent to maintain materials relied upon to substantiate claims covered by the order, to distribute copies of the order to each of its operating divisions and to certain company officials, to notify the Commission of any changes in corporate structure that might affect compliance with the Order, and to file one or more compliance reports.

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