

Modifying Order

119 F.T.C.

IN THE MATTER OF

THE COCA-COLA COMPANY

MODIFYING ORDER IN REGARD TO ALLEGED VIOLATION OF
SEC. 7 OF THE CLAYTON ACT AND SEC. 5 OF THE
FEDERAL TRADE COMMISSION ACT*Docket 9207. Final Order, June 13, 1994--Modifying Order, May 25, 1995*

This order reopens a 1994 final order that requires the respondent to obtain Commission approval before acquiring stock or interest in any company that manufactures or sells concentrate, syrup, or carbonated soft drinks in the U.S. This order modifies the final order in settlement of the petitions for review filed by the respondent in the U.S. Court of Appeals.

ORDER REOPENING AND MODIFYING FINAL ORDER

The Commission issued a Final Order in this proceeding on June 13, 1994, and an Order Reopening and Modifying Final Order on December 5, 1994. Respondent, The Coca-Cola Company, filed in the United States Court of Appeals for the District of Columbia Circuit a petition for review of the Commission's Final Order on August 26, 1994, and on February 3, 1995, a petition for review of the Final Order, as modified by the Commission's Order of December 5, 1994. On May 17, 1995, the Commission approved the terms of a modified final order in settlement of the petitions for review; and on May 18, 1995, the Commission and The Coca-Cola Company filed a Stipulation of Dismissal in the court of appeals pursuant to Fed. R. App. P. 42(b).

Now therefore, *It is hereby ordered*, That the aforesaid Final Order, as modified, be, and it hereby is, modified to read as follows:

I. DEFINITIONS

It is ordered, That, for purposes of this order, the following definitions shall apply:

A. "*Coca-Cola*" means The Coca-Cola Company, a corporation organized under the laws of Delaware, with its headquarters located at One Coca-Cola Plaza, N.W., Atlanta, Georgia, and its directors,

officers, agents, employees, and representatives, and its subsidiaries, divisions, affiliates, successors, and assigns.

B. "*Concentrate*" means the base element, flavors, or essences mixed according to a formula which, when added to carbonated water and nutritive or non-nutritive sweetener, is a carbonated soft drink.

C. "*Syrup*" means the concentrate and nutritive or non-nutritive sweetener which, when added to carbonated water, is a carbonated soft drink.

D. "*Branded concentrate or branded syrup*" means concentrate or syrup used to produce carbonated soft drinks that are identified with any nationally or regionally recognized label, name, or trademark and that, in general, are heavily advertised, widely available in the take-home and cold drink channels, and distributed by bottlers that provide store-door service or services to retailers in the cold drink channel. This definition does not include a label, name, or trademark associated solely with a single grocery or restaurant retailer, or with a generic flavor.

E. "*Branded concentrate soft drink*" means a drink made by combining carbonated water with branded syrup or with nutritive sweetener or non-nutritive sweetener and branded concentrate.

II.

It is further ordered, That Coca-Cola, for a period of ten (10) years from the date this order becomes final, shall not acquire, directly or indirectly, through subsidiaries, partnerships or otherwise, without the prior approval of the Federal Trade Commission:

A. Any rights to the Dr Pepper® or diet Dr Pepper® brand in the United States, or any brand, name, or trademark associated with the production, marketing, sale or distribution of Dr Pepper® or diet Dr Pepper® carbonated soft drinks in the United States;

B. The whole or any part of the stock, share capital, equity or other interest in any concern, corporate or non-corporate, that holds, owns, or otherwise controls the Dr Pepper® or diet Dr Pepper® brand, name, or trademark in the United States.

Provided however, that this prior approval requirement shall not apply to any acquisition by Coca-Cola of only physical assets involved in the production, sale, or distribution of Dr Pepper® and/or

diet Dr Pepper® syrups, concentrates, or carbonated soft drinks, or from acquiring a bottler of Dr Pepper® and/or diet Dr Pepper® carbonated soft drinks, so long as the bottler is engaged in the manufacture and sale of Dr Pepper® or diet Dr Pepper® concentrates or syrups solely as a holder of a Dr Pepper® or diet Dr Pepper® trademark, license, or franchise agreement and is not the owner of the Dr Pepper® or diet Dr Pepper® brand, name, or trademark.

III.

It is further ordered, That Coca-Cola, for a period of ten (10) years from the date this order becomes final, shall not acquire, directly or indirectly, through subsidiaries, partnerships or otherwise, without providing advance written notification to the Federal Trade Commission:

A. The whole or any part of the stock, share capital, equity or other interest in any concern, corporate or non-corporate:

1. Engaged in the manufacture and sale in the United States of branded concentrate or branded syrup; or

2. Engaged in the franchising or licensing of any brand, name, or trademark used in the United States in connection with the production, marketing, or sale of branded concentrate, branded syrup, or branded carbonated soft drinks.

B. Any brand, name, or trademark associated with the production, sale, or distribution of branded concentrate, branded syrup, or branded carbonated soft drinks in the United States.

Provided however, that this advance notification requirement shall not apply to any acquisition by Coca-Cola of only physical assets involved in the production, sale, or distribution of concentrate, syrup, or carbonated soft drinks, or from acquiring a bottler of carbonated soft drinks, so long as the bottler is not engaged in the manufacture and sale of branded concentrate or branded syrup, or in the franchising or licensing of any brand, name, or trademark of any branded carbonated soft drinks or is engaged in the manufacture and sale of branded concentrate or branded syrup solely in its capacity as

a licensee, bottler, or franchisee under carbonated soft drink trademark rights issued by another firm.

Advance notification of any transaction covered by this paragraph III shall be provided to the Federal Trade Commission when Coca-Cola's Board of Directors, or any individual or entity that is authorized to act on Coca-Cola's behalf in such acquisitions, authorizes issuance of a letter of intent or enters into an agreement to make an acquisition covered by this paragraph III, whichever is earlier.

The notification required of Coca-Cola by this paragraph shall be the Notification and Report Form set forth in the Appendix to Part 803 of Title 16 of the Code of Federal Regulations, as amended, and shall be prepared and transmitted in accordance with the requirements of that part, except that no filing fee will be required for any such notification, notification need not be given to the United States Department of Justice and notification is required only of Coca-Cola and not of any other party to the transaction. Coca-Cola shall comply with reasonable requests by the Commission staff for additional information within fifteen (15) days of service of such requests.

The notification required of Coca-Cola by this paragraph III shall not require additional notification by Coca-Cola to the Federal Trade Commission of any acquisition for which notification is required to be made, and has been made, pursuant to Section 7A of the Clayton Act, 15 U.S.C. 18a, or for which prior approval by the Federal Trade Commission is required, and has been requested, pursuant to paragraph II of this order.

Provided further, that the requirements of this paragraph III shall not apply to any acquisition by Coca-Cola of any company or firm where such company or firm has sales of less than ten million (10,000,000) 192-oz. case-equivalents of carbonated soft drinks in each of the three years preceding such acquisition.

IV.

It is further ordered, That one (1) year from the date this order becomes final, and annually on the anniversary of the date this order becomes final until the prior approval and prior notification requirements of paragraphs II and III expire, and at other times as the Commission may reasonably require, Coca-Cola shall file a verified

written report with the Federal Trade Commission setting forth in detail the manner and form in which it has complied and is complying with this order.

V.

It is further ordered, That, for the purposes of determining or securing compliance with this order, and subject to any legally recognized privilege, upon written request and on reasonable notice to Coca-Cola made to its principal office, Coca-Cola shall permit any duly authorized representatives of the Federal Trade Commission:

A. During office hours and in the presence of counsel, to have access to, inspect and copy all books, ledgers, accounts, correspondence, memoranda, and other records and documents in the possession or under the control of Coca-Cola relating to any matters contained in this order; and

B. Upon five days' notice to Coca-Cola and without restraint or interference from Coca-Cola, to interview officers or employees of Coca-Cola, who may have counsel present, regarding such matters.

VI.

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

Commissioner Azcuenaga and Commissioner Starek recused.

IN THE MATTER OF

GATEWAY EDUCATIONAL PRODUCTS, LTD., ET AL.

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

Docket C-3581. Complaint, June 1, 1995--Decision, June 1, 1995

This consent order prohibits, among other things, a California-based corporation and two officers from making reading and comprehension claims for their "Hooked on Phonics" reading program or any other educational program or product without possessing and relying upon competent and reliable substantiating evidence. In addition, it prohibits them from representing that any endorsement represents the typical or ordinary experience of consumers with any educational program or product without possessing and relying upon competent and reliable substantiating evidence.

Appearances

For the Commission: *Toby M. Levin and Dean C. Forbes.*

For the respondents: *Michael Denger, Gibson, Dunn & Crutcher,* Washington, D.C. and *Scott R. Miller, Rordan McKinzie,* Los Angeles, CA.

COMPLAINT

The Federal Trade Commission, having reason to believe that Gateway Educational Products, Ltd., a corporation, and John Shanahan and John Herlihy, individually and as officers of said corporation ("respondents"), have violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. Respondent Gateway Educational Products, Ltd. is a Delaware corporation, with its principal office or place of business at 1050 Katella Ave., Suite D, Orange CA.

Respondents John Shanahan and John Herlihy are officers of the corporate respondent. Individually or in concert with others, they formulate, direct, and control the acts and practices of the corporate respondent, including the acts and practices alleged in this complaint.

Their principal office or place of business is the same as that of the corporate respondent.

PAR. 2. Respondents have manufactured, advertised, labelled, offered for sale, sold, and distributed educational products, including Hooked on Phonics and Hooked on Phonics/SRA Reading Power (collectively "HOP"), to consumers. HOP is an instructional reading program consisting of color-coded workbooks, cassette tapes, and flash cards.

PAR. 3. 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.

PAR. 4. Respondents have disseminated or have caused to be disseminated advertisements and promotional materials for HOP, including but not necessarily limited to the attached Exhibits A through L. These advertisements contain the following statements:

A. "We've Made Learning to Read Easy & Fun! 'We're Hooked on Phonics' and Here's Why... [ellipses in original ad] [headline]

* * *

Hooked on Phonics helps new readers every step of the way. By learning the sounds of the alphabet, students can sound out and read most of the words in the English language.

* * *

Good reading comprehension is essential to success in all subjects and is the very heart and soul of education. Dr. Don Parker adapted his highly acclaimed SRA Reading Laboratory for use with Hooked on Phonics. The result: Hooked on Phonics plus SRA Reading Power...the reading program that's sweeping the nation. [ellipses in original ad]

* * *

If instruction is fun, learning is easy. This is the basic principle behind the Hooked on Phonics reading program, and it has proven true with students from most every culture, every walk of life, and every age group throughout the country. Hooked on Phonics is ideal for children or adults who are beginning readers or those who need remedial help. Hooked on Phonics is your own personal, friendly and uncritical private teacher.

[Consumer] 'This program worked for me and Tyler! I never learned to read in school, and I've tried a lot of reading programs that didn't help. I would have given anything for Hooked on Phonics when I was Tyler's age.' -- Eric Fisher and Tyler

[Text in box] It's Easy! You can listen to your Hooked on Phonics tapes: at home...in your car...or anywhere you choose! This is very important for older learners who desire their privacy. [ellipses in original ad]

Many teachers and parents have reported that Hooked on Phonics has helped those with learning disabilities such as dyslexia and attention deficit disorders. The

lessons can be repeated as often as necessary giving students the personalized repetition they need.

We're so confident of your success that we give you a 30-day written money back guarantee. If you don't see dramatic reading results within 30 days, return the program for a full refund. It's as simple as that." [Exhibit A]

B. "With Hooked on Phonics you will 'Learn to Read' [headline]

Hooked on Phonics helps teach children and adults how to read. Because all the lessons are set to music, learning to read becomes simple and fun. With Hooked on Phonics most students can work alone at their own pace and review the lessons at any time.

* * *

With SRA Reading Power you will 'Read to Learn' [headline]

* * *

SRA Reading Power includes 100 exciting stories followed by exercises to help with comprehension, vocabulary and grammar. This program will strengthen your reading skills and lead to better comprehension of all subjects." [Exhibit B, p.1]

* * *

'What Educational Experts & Parents Say About Hooked on Phonics [headline]
[Consumer] Dr. Don Parker, Ph.D., Author of SRA Reading Laboratories, California [headline]

'As author of the SRA Reading Laboratories, which is used by 61 million people in 62 countries around the world, I can say that Hooked on Phonics is a program I will recommend unconditionally for any age, in any culture around the world, seeking to learn to read.'

[Consumer] Sister Nancy Lynn McNamara, teacher, New York [headline]

'I started using Hooked on Phonics in my classroom in late October and saw phenomenal results in just a few weeks. There was success right away! I would recommend Hooked on Phonics for any age level, any nationality, anybody - because it works!'

* * *

[Consumer] Sissy Paradis, Teacher/Tutor, Massachusetts [headline]

'When I tutored one particular student, his reading was at a 1st grade level. Recently he was retested and now he's at an 8th grade level...amazing, all this in four months. Hooked on Phonics is the best thing I've ever found.' [ellipses in original ad]

* * *

[Consumer] Joan & Matt Nelson, Nebraska [headline]

'I thought our son's future was at stake because of his reading problem. But after we got Hooked on Phonics, his reading skills improved incredibly. He has so much more confidence in himself.'

[Consumer] Dr. & Mrs. R.A. Livingston, Michigan [headline]

'We purchased Hooked on Phonics when our son was four and one half years old. Within three months he was reading fluidly. Just after entering kindergarten, his reading skills were tested and showed that his reading and comprehension skills were on a 5th grade level. After his kindergarten year, he was put straight into 2nd grade and he's thriving. Believe me, people who know us know about Hooked on Phonics.'

[Consumer] Ardie Keligond, California [headline]

'We got Hooked on Phonics for our son at the beginning of the school term. By January he was reading at a 3rd grade level. A lot of people ask me what's so special about Hooked on Phonics? Well, my son went from D's to B-'s in reading, and his spelling tests went to B+'s and A's. What's so special about Hooked on Phonics...It really works!' [ellipses in original ad]

[Consumer] Delores Coble, Oregon [headline]

'When Hooked on Phonics first arrived, my daughter was in the 7th grade with only a 2nd grade reading level. After one month she went to a 5th grade reading level. I've watched her grow. Now that we have Hooked on Phonics, it's everything they say it is. I can't say enough about it!'

[Consumer] Karol Pierce, California [headline]

'When you can make learning fun for the child, it works. It's really exciting! My son's report card went from C's and D's to almost straight A's, with an A in reading and an A in Math. Hooked on Phonics turned my son's whole school life around.'

* * *

[Consumer] Jeff Herman, California [headline]

'We bought Hooked on Phonics when our daughter was three. By the time she was five, she was reading everything in the house. She was recently tested in the 2nd grade and the results showed a reading level of 6th grade and a comprehension level of 7th grade. This program is marvelous.'

[Consumer] Bob Unger, Author of Tune in to Success, New York [headline]

'I immediately noticed results with my son who's five. First it was the basics, and within several weeks he was reading simplistic sentences. And now he's reading the book I wrote...college level material. What's the bottom line? Hooked on Phonics works!'" [ellipses in original ad] [Exhibit B, p.2]

C. "And now, Hooked on Phonics joins forces with SRA Reading Laboratories used by an estimated 60 million people around the world. Dr. Don Parker has adapted his SRA program, which teaches reading and comprehension for home study use. So now with Hooked on Phonics you'll learn to read and with SRA Reading Power, you'll read to learn." [Exhibit C]

D. [Consumer] "Dear Hooked on Phonics...

'My son has shown great progress in his ability to read and comprehend since we ordered Hooked on Phonics. . . . I can say without reservation that Hooked on Phonics is an outstanding program.' - J.R., New Franken, Wisconsin" [1st set of ellipses in original ad] [Exhibit D]

E. "Are you still wondering if Hooked on Phonics is right for you and your family? Here's who's getting results:

Hooked on Phonics is an excellent program for preschoolers; Hooked on Phonics is exceptional for helping older students with reading comprehension; and most adults can teach themselves to read without any help or embarrassment.

From pre-school to high school, Hooked on Phonics is changing the way America learns to read!" [Exhibit E]

F. "(Phone Rings)

Hooked on Phonics...

To give your preschooler a headstart in reading, press 'A'

For help with reading comprehension, press 'B'

For older students who've fallen behind in reading, 'C'

To improve spelling skills, 'D'
 For adults ready to teach themselves to read, press 'E'
 For all your reading needs, call 1-800-ABCDEFGH and put Hooked on Phonics under your Christmas tree!" [ellipses in original ad] [Exhibit F]

G. "If your kids have problems reading, like guessing at words or below grade level, try Hooked on Phonics, the musical reading program the whole country's talking about. If you don't see a dramatic increase in reading skills in thirty days, just return Hooked on Phonics for a complete refund. Now is there any other reading method that will make this promise?" [Exhibit G]

H. [Consumer] "Dear Hooked on Phonics...
 'In the first grade, my grandson attended a special reading program offered at a local college. It didn't help. In the second and third grades, he was enrolled in a special reading class at school. This didn't help either. Finally, we ordered Hooked on Phonics and his grades went from Cs and Ds to As and Bs. Thanks to Hooked on Phonics, my grandson got the help he needed.' - C.S., Jamaica, New York." [ellipses in original ad] [Exhibit H]

I. [Consumer] "Dear Hooked on Phonics:
 'For 27 embarrassing years I had a secret. I could barely read. I tried so many reading programs but nothing worked. Then I got Hooked on Phonics. In two short months, I went from a 3rd to a 10th grade reading level. And since Hooked on Phonics, I finished trade school and have my own business. If you have a problem with reading, try Hooked on Phonics. It changed my life. It could change yours.'
 Signed, Eric, Zainesville, Ohio." [Exhibit I]

J. [Consumer] [WRITTEN SUPERScript appearing on screen: "ADAM, AGE 6"]

"Adam: There is no excuse for illiteracy. Learning to read should be simple. Phonics makes reading simple by teaching letter sounds and syllables. I learned to read with phonics.

Announcer: Learn to read with Hooked on Phonics, the musical reading program. [WRITTEN SUPERScript appearing on screen: 'CHILDREN, REMEDIAL, ADULT'] Then, read to learn with SRA Reading Comprehension used by over 60 million people. [WRITTEN SUPERScript appearing on screen: 'USED BY OVER 60 MILLION PEOPLE']

Adam: Hooked on Phonics worked for me." [Exhibit J]

K. [Announcer: Chad Murdock] "I felt that any reading program that taught my son as quickly and as simply as 'Hooked on Phonics' is just too good not to share. And when I did, I found out that Michael's success wasn't unusual. There were many, many stories just like his. . . . So if you have a youngster beginning to read, an older student who may need some reading help, or if there is anyone in your life who has trouble reading, you should really take the next few minutes and watch these stories. [Exhibit K, p.1]

* * *

[Consumer] [Ron (Livingston)]: One of the things that impressed me the most about Blake's reading and his development in reading was the fact that when he was in kindergarten he tested at a 5th grade reading level. But what really amazed us and we were told by the teachers that tested him that he actually comprehended on a 5th grade level, which makes all the difference in the world. And as a result of

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that, they moved him directly from kindergarten straight into 2nd grade at six years old. [Exhibit K, p.5]

* * *

[Consumer] [Dr. Parker] . . . As author of the SRA Reading Laboratories, over the past forty years, which has now been used by over 61 million in 62 countries around the world, in all cultures, I can say that 'Hooked on Phonics' is a program that I would recommend unconditionally for a four year old, a forty-four year old, or in any culture around the world seeking to learn to read.

[Murdock]: Dr. Parker feels that 'Hooked on Phonics' is the missing link in helping most students learn to read. [Exhibit K, p.6]

* * *

[Murdock]: Karol's son Robert struggled through the first and second grade. She ordered 'Hooked on Phonics' and his struggles have turned to success.

[Consumer] [Karol Pierce]: His report card this semester was the best that he's ever had. It was almost straight A's. And that's exciting, you know, going from C's sometimes D's and seeing mostly A's and B's and A's in reading, you know A minus in math. . . . [I]t's like you have your own in-home tutor. [Exhibit K, pp.6-7]

* * *

[Murdock]: Ironically, Fred Carl worked for twenty years binding books that he couldn't read. Finally with the help of 'Hooked on Phonics' and his tutor, Sissy Paradis, Fred is learning to read.

[Consumers] [Sissy]: When I first got him as a student, he was classified as a first grade reader -- one/two, which is first grade, second half of the year -- and he recently has been retested and he's up to eighth grade. 'Hooked on Phonics' is the best thing I've found. If a child can't read, he can't go any further in school in any of his subjects, none of them. He can't do math because he can't read a problem. He can't do history because he can't read. He can't do science, he can't do experiments because he can't follow directions. What's he gonna do? He has to learn to how to read. If you can't read, you can't go anywhere, nowhere, nowhere.

[Fred Carl]: I can't see any reason why anybody would have any problem learning how to read or write with 'Hooked on Phonics.' . . .

[Sissy]: He's gone on for forty-eight years. He couldn't read anything when he got here -- barely anything. . . . It's unbelievable. . . . How much he's progressed in just, I would say the last four months. . . . It's gonna work. It absolutely will work. [Exhibit K, pp.7-8]

* * *

[Announcer: Randy Thomas] All the lessons are set to music. And that makes learning to read simple and fun. You can work at your own pace, in your own home, and in complete privacy. It's like having your own private tutor for a fraction of the cost. . . . Most of the [musical, p.17] lessons are only nine minutes long and they're [all, p.17] easy to learn. It's as simple as that. You'll increase your skills in reading, spelling, pronunciation, and also build confidence and self esteem. Being a better reader opens the door for job opportunities and increases your potential for success. [Exhibit K, pp.8-9, 17]

* * *

[Consumer] [Delores Coble]: Amanda's level was -- when we arrived in Oregon -- between the second and third grade level in reading. And she was put in the seventh grade which made it very difficult for her to read some of the seventh

grade books they gave her which left her a span of about four or five years to make up. With 'Hooked on Phonics' she probably came up to about a fourth or fifth grade level of reading and she's had the set, oh, I'd say about a month.

* * *

[Murdock] . . . It doesn't matter if you have a child with reading difficulties, a child who is ready to learn, or an adult who never learned to read. 'Hooked on Phonics' may be the answer. [Exhibit K, p.14]

* * *

[Consumer] [Jeff Herman]: We got the program when she was three and by the time she was five, she was reading everything in the house. She's in the third grade now, but we had her tested last year in the second grade and she was reading at a sixth grade level at that point and she has a seventh grade comprehension. . .

After Kia finished the program, a friend of ours [sic] son couldn't read and they were taking a cross country trip from California to New York. They were moving there and we gave them our 'Hooked on Phonics' program and on the four week trip, he took the whole program, he was five years old. By the time they got to New York he could read." [Exhibit K, pp.14-15]

L. "Hooked on Phonics has helped nearly one million students learn to read at home." [Exhibit L]

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

A. HOP will quickly and easily teach persons with reading problems or disabilities to read, regardless of the nature of the problem or disability;

B. HOP is effective for teaching persons with learning disabilities, including dyslexia and attention deficit disorders, to read;

C. HOP will cause users with reading problems or disabilities to achieve significant improvement in reading levels and classroom grades;

D. HOP is effective for teaching persons in a home setting to read, without the need for additional assistance such as a teacher or tutor;

E. HOP is effective for teaching reading comprehension skills;

F. HOP has helped nearly one million students to learn to read at home;

G. The testimonials or endorsements from consumers appearing in advertisements for HOP reflect the typical or ordinary experience of members of the public who use HOP.

PAR. 6. Through the use of the statements contained in the advertisements and promotional materials referred to in paragraph four, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits A through L, respondents have represented, directly or by implication, that at the time they made the representations set forth in paragraph five, respondents possessed and relied upon a reasonable basis that substantiated such representations.

PAR. 7. In truth and in fact, at the time they made the representations set forth in paragraph five, respondents did not possess and rely upon a reasonable basis that substantiated such representations. Therefore, the representation set forth in paragraph six was, and is, false and misleading.

PAR. 8. 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.

CONFIDENTIAL

We've Made Learning to Read Easy & Fun



"We're Hooked on Phonics"
and Here's Why...

Reading opens doors to information and self-confidence. When children learn to read, they are eager to tell the world. When adults learn their new skills, they realize the sounds of the alphabet, students can sound out and read most of the words in the English language.

Remember when you learned the ABC's? It was fun. It was fun because instruction is fun. Learning is fun. This is the basic principle behind the *Hooked On Phonics* reading program, and it has proven true with students from most every culture, every walk of life, and every age group throughout the country. *Hooked On Phonics* is ideal for children or adults who are beginning readers or those who need remedial help. *Hooked On Phonics* is your own personal, friendly and unobtrusive private teacher.

It's Easy!
This new system is your *Hooked On Phonics* system. It's simple, it's fun, it's easy to use, and it's easy to learn. It's the only program for children and adults who don't read.

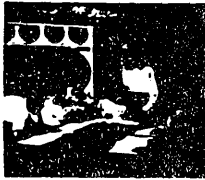
It's Easy!
This new system is your *Hooked On Phonics* system. It's simple, it's fun, it's easy to use, and it's easy to learn. It's the only program for children and adults who don't read.

"I've never used to read for the context in the journal paper. But after *Hooked On Phonics* she would read the context to me. She was excited about that!"
—Lynn Dalton and Karen



Good reading comprehension is essential to success in all subjects and is the very heart and soul of education. Dr. Don Parker adapted his highly acclaimed SRA Reading Laboratory for use with *Hooked On Phonics*. The result: *Hooked On Phonics* plus SRA Reading Power, the reading program that's sweeping the nation.

There is a reason why over one million people have ordered *Hooked On Phonics* and thousands of schools are using it in their classrooms! It works and it's fun.



"*Hooked On Phonics* is a great teacher in my classroom. We have so many exceptional children who have poor language skills, and I can never give them all the help they need. But *Hooked On Phonics* can. They can learn without me, or on their own, make progress and not feel embarrassed."
—Gwen Bente

Hooked On Phonics is perfect for the classroom and has been endorsed by the National Right to Read Foundation as the exemplary instructional program for teaching children and adults to read.

Hooked On Phonics

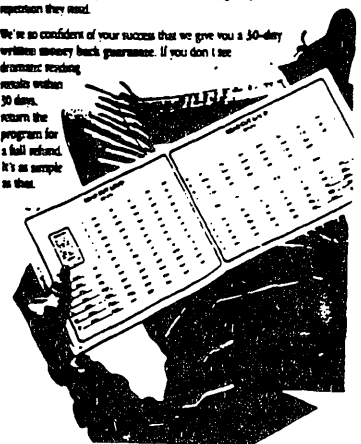
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"The program worked for me and Tyler. I never learned to read in school, and I've tried a lot of reading programs that didn't help. I would have given up on reading if it weren't for *Hooked On Phonics* from Tyler's dad."
—Eric Fisher & Tyler



Many teachers and parents have reported that *Hooked On Phonics* helped those with learning disabilities such as dyslexia and attention deficit disorder. The lessons can be repeated as often as necessary giving students the personal attention they need.

We're so confident of your success that we give you a 30-day written money back guarantee. If you don't see dramatic reading results within 30 days, return the program for a full refund. It's as simple as that.



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EXHIBIT B



With
Hooked on Phonics
 you will
“Learn to Read”

Hooked on Phonics helps teach children and adults how to read. Because all the lessons are set to music, learning to read becomes simple and fun. With *Hooked on Phonics* most students can work alone at their own pace and review the lessons at any time.

Phonics teaches the sounds of all the letters in the alphabet. After learning these sounds with *Hooked on Phonics*, it's possible to sound out and read most of the words in the English language. Learning by phonics also helps with spelling. It's as simple as that!

Hooked on Phonics includes 8 audio cassettes, 5 reading books, and 9 decks of color-coded flash cards.

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With
SRA Reading Power
 you will
“Read to Learn”

SRA Reading Power is adapted for home study by Dr. Don Parker, author of the *SRA Reading Laboratories* used by over 61 million in 62 countries around the world.

SRA Reading Power includes 100 exciting stories followed by exercises to help with comprehension, vocabulary and grammar. This program will strengthen your reading skills and lead to better comprehension in all subjects.

SRA Reading Power includes 4 audio cassettes, 100 Power Builder stories, student record book and an answer book.

We're so confident you'll be successful, you have a
**30-Day Unconditional
 Money Back Guarantee!**

Over half a million people have ordered *Hooked on Phonics*

