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FOR IMMEDIATE RELEASE

BUSINESS FRANCHISOR PLEADS GUILTY TO VIOLATING COURT ORDER, DEFRAUDING INVESTORS

KANSAS CITY, Mo. – The U.S. Justice Department announced that a franchisor for two businesses pleaded guilty today to charges of violating a court order in order to defraud investors of more than \$100,000.

Robert L. Ferrara, 66, pleaded guilty this morning before U.S. District Judge Nanette K. Laughrey to a six-count federal indictment. **Ferrara** was indicted by a federal grand jury in Kansas City on January 17, 2002.

By pleading guilty, **Ferrara** admitted that, in the process of selling business opportunity franchises for Emily Water & Beverage Company and for Synergy brand skin cream, he violated a permanent injunctive order of the U.S. District Court issued on March 20, 1984. As part of a consent judgment agreed to by **Ferrara** to settle the case of United States v. Ferrara Foods, Inc., that court had ordered **Ferrara** to:

- 1) Pay a civil penalty of \$40,000.
- 2) Comply with the Franchise Rule and its disclosure requirements, including providing information on litigation history, when selling franchises.
- 3) Disclose to potential franchisees that he was subject to a 1984 court order relating to the sale of franchises and that he filed for bankruptcy in the United States Bankruptcy Court for the Western District of Missouri on April 17, 1998.

(MORE)

FRANCHISE FRAUD

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In the case of United States v. Ferrara Foods, Inc., **Ferrara** admitted that he had violated the Federal Trade Commission Act and the FTC's Trade Regulation Rule entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures." **Ferrara** admitted that he failed to furnish potential customers with a basic disclosure document as required by the Franchise Rule, which is designed to prevent fraudulent franchise

sales practices. The Franchise Rule requires franchisors to provide potential franchisees with an accurate written document disclosing information about the franchisor and its current directors and executive officers. These disclosures provide consumers with accurate information about a potential franchise opportunity.

According to the federal grand jury indictment, **Ferrara**, acting on his own and through companies such as C&C Sales, B&F Custom Vending, Emily Water & Beverage Company and Emily Vending, engaged in the sale of franchises, business opportunities and business ventures by placing classified advertisements in newspapers across the United States, which listed a toll-free number for consumers to call.

According to the indictment, four victims who purchased Emily Water & Beverage franchises each paid between \$12,500 and \$32,500 for exclusive distributorships for the sale of Emily-brand bottled water in 1998. **Ferrara** admitted that he made and caused others to make misrepresentations, false statements and omissions to encourage the sale of these franchises. **Ferrara** also admitted that he disobeyed the court order by failing to provide all the disclosures required by the order, including his litigation history and bankruptcy petition.

According to the indictment, two victims who purchased Synergy skin cream franchises paid \$3,850 and \$4,500, respectively, for exclusive distributorships in January and February of 2001. **Ferrara** admitted that he made and caused others to make misrepresentations, false statements and omissions to encourage the sale of these franchises. **Ferrara** also admitted that he disobeyed the court order by failing to provide all the disclosures required by the order, including his litigation history and bankruptcy petition.

As a result of his guilty plea today, **Ferrara** could be subject to a sentence of up to life imprisonment without parole. A sentencing hearing will be scheduled sometime after the completion of a presentence investigation by the U.S. Probation Office.

The case is being prosecuted by Department of Justice Trial Attorneys Joshua Drew and James Mitzelfeld. It was investigated by the Federal Bureau of Investigation, the Postal Inspection Service and the Internal Revenue Service.
