

Complaint

95 F.T.C.

IN THE MATTER OF  
MARKET DEVELOPMENT CORPORATION, ET AL.

FINAL ORDER, OPINION, ETC., IN REGARD TO ALLEGED VIOLATION  
OF THE FEDERAL TRADE COMMISSION ACT

*Docket 9067. Complaint, December 19, 1975—Final Order, January 15, 1980*

This order dismisses the complaint against Juanita Anderson, and requires a Chicago, Ill. mail order house and two corporate officers, among other things, to cease making false or misleading representations to obtain sales or prospects, and misrepresenting the nature of their business and goods, and the value and costs of merchandise and services. The order also bars the firm from failing to deliver goods or services within a reasonable time; and from misrepresenting that it is conducting a contest, or that recipients of its mailings are winners. If a warrantee is offered for a product or service, the terms, conditions and limitations of the warrantee must be clearly disclosed and obligations under the warrantee promptly fulfilled. The firm is additionally required to respond to written customer inquiries within seven working days and maintain specified records for three years.

*Appearances*

For the Commission: *Aaron H. Bulloff* and *Robert P. Weaver*.

For the respondents: *Lawrence C. Rubin, James S. Barber, Arvey, Hodes, Costello & Berman*, Chicago, Ill.; *Stein, Mitchell & Mezines*, Washington, D.C. for Columbia Research Corporation and Raymond Anderson; *Arnold Morelli, Bauer, Morelli & Heyd*, Cincinnati, Ohio for Juanita Anderson and Joseph Anderson.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Market Development Corporation, a corporation, and Raymond Anderson, Juanita Anderson, and Joseph Anderson, individually and as officers and/or directors and/or employees of said corporation, and Columbia Research Corporation, a corporation, and Raymond Anderson, [2]individually and as an officer and/or director of said corporation, hereinafter referred to as respondents, have violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Market Development Corporation is a corporation organized, existing, and doing business under and by

virtue of the laws of the State of Ohio, with its offices and principal places of business located at 5826 Hamilton Ave. and 3584 Hauck Road, in the City of Cincinnati, State of Ohio.

Respondent Columbia Research Corporation is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Illinois, with its offices and principal place of business located at 3762 West Devon, in the City of Chicago, State of Illinois.

Respondent Raymond Anderson is an individual and is or has been a director and President of both Market Development Corporation and Columbia Research Corporation, and is a resident of Ohio and/or Illinois. He takes or has taken part in the formulation, direction, and control of the acts and practices of the corporate respondents, including the acts and practices hereinafter set forth.

Respondent Juanita Anderson is an individual and is or has been an employee of Market Development Corporation, and is a resident of Ohio. She takes or has taken part in the formulation, direction, and control of the acts and practices of the corporate respondents, including the acts and practices hereinafter set forth.

Respondent Joseph Anderson is an individual and is or has been an employee of Market Development Corporation, and is a resident of Ohio. He takes or has taken part in [3]the formulation, direction, and control of the acts and practices of the corporate respondents, including the acts and practices hereinafter set forth.

The aforementioned respondents cooperate and act, or have cooperated and acted together, in carrying out the acts and practices hereinafter set forth.

PAR. 2. Respondents have been engaged, and are now engaged, in the advertising, offering for sale, sale, and distribution of "vacations," sewing machines, and household and cosmetic products through magazines, newspapers, catalogues, and letters.

PAR. 3. In the course and conduct of their business, respondents now cause, and have caused, their products and supplies to be shipped from suppliers located outside the States of Ohio and Illinois to their offices in Ohio and Illinois, and when sold, to be shipped from Ohio and Illinois to purchasers located in other States and territories of the United States, and further, respondents now cause, and have caused, promotional material and advertisements to be prepared at their central offices in Ohio and Illinois and distributed therefrom to prospective purchasers located in other states; so that respondents have maintained a course of trade in said promotional material, advertisements, products, supplies, and material in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their business, respondents now

engage, and have engaged, in various sales schemes in order to promote the sale of "Treasure Chests," "Super Jackpot Packages," "gift boxes," "vacations," "sewing machines," and "Warm-O-Trivets." Respondents generally solicit, or have solicited, purchasers either through the use of mass mailings initially, or by mailings which follow up respondents' placement of "contest" or "sweepstakes" entry blanks in periodicals. The central thrust of these various schemes consists of informing [4]consumers, by mail, that they have either won a contest or are eligible as a result of a contest, or have otherwise been specially selected and are therefore eligible to receive "prizes" and/or "awards" and/or "gifts" and/or "bonuses" and/or free goods and services, which variously consist of a "Treasure Chest," "Super Jackpot Package," or "gift box" containing "full-sized nationally advertised household and cosmetic products," including one that allegedly retails for Twenty Dollars (\$20.00); and/or a certificate good for a "free vacation" for two; and/or a discount certificate good for \$100.00 towards the purchase price of a sewing machine that allegedly sells for \$179.50; and/or a "Warm-O-Trivet." In truth and in fact, none of these goods and services are "prizes," "awards," "gifts," and/or "bonuses," nor are they free, but rather are simply goods and services offered by respondents at their normal retail selling prices of \$15.00 for the "Treasure Chest," "Super Jackpot Package," or "gift box" and "vacation," and/or \$79.50 for the sewing machine and Warm-O-Trivet.

PAR. 5. In the course and conduct of their aforesaid business, and for the purpose of inducing the purchase of their products, respondents are making, and have made, certain statements and representations in promotional material, magazine advertisements, and by other means, with respect to drawings, sales promotions, free goods, limitations to product offers, and merchandise prices.

Typical and illustrative of said statements and representations, but not all inclusive thereof, are Exhibits A, B, C, D, and E, attached hereto and incorporated herein by reference.

PAR. 6. By and through the use of the aforementioned statements and representations, and by other written statements of similar import and meaning (not specifically set out herein), respondents represent, and have represented, directly or by implication, that:

1. Respondents have conducted and/or are conducting a contest.[5]
2. Respondents will award a specific number of products as contest prizes.
3. Respondents are in the business of market research and/or analysis.
4. Respondents have engaged, and/or are engaging, in incentive promotions and/or programs.

5. Respondents have co-sponsors.
6. Respondents represent other companies.
7. Recipients of respondents' offers have won a contest.
8. Recipients of respondents' offers have been specially selected.
9. Recipients of respondents' offers are entitled to "prizes," and/or "awards," and/or "winnings," and/or "gifts," and/or "bonuses," and/or "free" goods and services.
10. Recipients of respondents' offers are entitled to goods and services for only a registration, handling, and service charge.
11. Recipients of respondents' offers have a limited time to claim offered goods and services. [6]
12. Recipients of respondents' offers are receiving "once-in-a-life-time" opportunities.
13. Recipients of respondents' offers are offered a "vacation" and that it is "free."
14. Recipients of respondents' offers are offered a choice of vacation times, locations, and accommodations.
15. The promotions entitled "Treasure Chest," "Super Jackpot Package," or "gift box" are unconnected to the sales promotion of any other product.
16. Three hundred forty thousand (340,000) families have accepted the offered goods and services.
17. The sewing machine offered by respondents is sold throughout the United States.
18. The sewing machine offered by respondents is serviced throughout the United States by or through respondents.
19. The sewing machine offered by respondents is used in home economics classes throughout the United States.
20. The sewing machine offered by respondents has a retail price of either \$179.50 and/or \$169.50. [7]
21. The sewing machine certificate offered by respondents is worth \$100 toward the purchase of respondents' sewing machine.
22. The "Treasure Chest," "Super Jackpot Package," or "gift box" offered by respondents has a value of \$30 or more.
23. The "vacation" coupons offered by respondents are worth \$50 or \$100.
24. The value of the total "Treasure Chest" offer is \$250 to \$300, or represents a savings of \$200 or \$250, and the value of the total "Jackpot" package is \$500 or more.
25. The "Treasure Chest," "Super Jackpot Package," or "gift box" contains only "full-sized" products.
26. The "Treasure Chest" contains a "rare and very expensive cosmetic" with a retail value of \$20.

27. Respondents will deliver ordered goods and services.
28. Respondents will bear the cost of delivery of their products.
29. Respondents guarantee goods and services on a money-back/satisfaction-guaranteed basis.
30. Respondents had a reasonable basis for making the aforesaid representations prior to making them. [8]

PAR. 7. In truth and in fact:

1. Respondents have not conducted, and do not conduct, contests. No *bona fide* contest or sweepstakes exists. Respondents' solicitation scheme is a systematic, money-making retail sales business transacted through mass mailings, and does not involve any elements of skill or chance. Their solicitations are intended only for the purpose of obtaining sales and/or leads.
2. Respondents fail to award all the "contest prizes" advertised.
3. Respondents do not engage in any market research and/or analysis. Their sole business is the sale of their "Treasure Chest" or "Super Jackpot Package" and sewing machine.
4. Respondents have not engaged, and are not engaged, in incentive programs and/or programs. Their sole business is the sale of their "Treasure Chest" or "Super Jackpot Package" and sewing machine.
5. Respondents have no co-sponsors for their promotions. Respondents retail the products they purchase from wholesalers of the products' manufacturers.
6. Respondents have at no time represented other companies in the sale of their products.
7. Recipients of respondents' solicitations are not winners, either in a sweepstakes or in a contest. At no time have respondents conducted a *bona fide* contest or sweepstakes. [9]
8. There is no special selection of solicitation recipients. Respondents mail to millions of prospective customers whose names respondents take from rented computer lists.
9. Recipients of respondents' offers are not entitled to any "prizes," and/or "awards," and/or "winnings," and/or "gifts," and/or "bonuses," and/or "free" goods and services. Recipients are only entitled to purchase them at a stated price.
10. The registration, handling, and service charge is nothing but respondents' full retail price for their goods and services.
11. No time limit exists within which recipients of respondents' solicitations must remit their money. Recipients may make their purchases after ten days after receiving the solicitation, and, in fact, many were subsequently solicited by respondent Market Development Corporation to purchase a second "Treasure Chest" or "vacation."
12. The promotion is not a once-in-a-lifetime opportunity. Actual

customers were solicited by respondent Market Development Corporation to purchase a second "Treasure Chest" or "vacation."

13. Purchasers of respondent Market Development Corporation's solicitation do not receive a vacation, but only lodging accommodations. Customers of corporate respondents Market Development Corporation and Columbia Research Corporation do not receive a "free vacation" because there are, in fact, no prizes, awards, or the like. Purchasers must buy the "Treasure Chest" to receive the "vacation" and must pay [10] for all other vacation expenses themselves, including all transportation and food expenses, and additional charges incurred during the "peak season."

14. Purchasers of the vacation do not have their choices of locations, lodging accommodations, and times. Actual arrangements may be different from purchasers' selections sent to respondents.

15. The Market Development Corporation "Treasure Chest" or "gift box" solicitation fails to state, or alternatively fails to state clearly and conspicuously, that the "vacation" is part of a land sales promotion and that the entire offer includes a follow-up sewing machine solicitation. The Columbia Research Corporation solicitation fails to state, or alternatively fails to state clearly and conspicuously, that the "vacation" is part of a land sales promotion or lodging accommodations sales promotion.

16. Respondents have inflated the number of families who have accepted their offer, and fail to disclose that their "satisfied" customers were induced to make purchases because of respondents' deceptive, and/or false, and/or unfair acts and practices.

17. Respondents' sewing machine is not sold throughout the United States except by mail from Cincinnati, Ohio, and at a few isolated retail outlets.

18. Respondents' sewing machine is serviced by or through respondents only in Cincinnati, Ohio.

19. Respondents' sewing machine is not used in home economics classes throughout the United States. [11]

20. Respondents' sewing machine does not have a \$179.50 and/or \$169.50 retail price. Currently, respondents' regular selling price of the sewing machine is \$79.50, and prior to 1974, \$69.50.

21. The discount certificate is worthless because respondents' regular selling price of the sewing machine is \$79.50 or \$69.50. Respondents artificially inflate the price of the sewing machine by \$100.

22. Respondents artificially inflate the price of their "Treasure Chest," "Super Jackpot Package," or "gift box." Its value is significantly less than \$30.

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23. Respondents fail to disclose that in order to receive the benefits of the coupon book, one must make additional food and drink purchases, such as two-for-one deals. The only way the value of the coupon book may be realized is for purchasers of the "vacation" to spend the entire vacation time visiting the places of business represented in the coupons and spending additional money at each place of business.

24. The values of the goods and services offered by Market Development Corporation are significantly less than the \$250-300 values ascribed to them by respondents' solicitations. If any "savings" are realized by dealing with respondents, those savings are significantly less than the \$200-250 in savings claimed by respondents' solicitations. The values of the goods and services offered by the Columbia Research Corporation are significantly less than the \$500 or more claimed for them by [12] respondents' solicitations. Respondents thus overstate the worth of the goods and services they offer.

25. The "Treasure Chest" does not always contain full-sized products or the products that respondents picture in their solicitation. The "Treasure Chest" may contain sample-sized products.

26. The "rare and very expensive cosmetic" is a perfume which does not sell anywhere at retail and costs respondents 37 cents a bottle to purchase.

27. Respondents fail, in many instances, to deliver ordered goods and services.

28. Respondents' customers bear the delivery costs of respondents' sewing machine.

29. Respondents do not promptly refund monies if purchasers are dissatisfied. In many instances, respondents fail to make refunds at all.

30. Respondents knew that the aforesaid representations were untrue prior to making them or, alternatively, did not have a reasonable basis for making the aforesaid representations prior to making them. [13]

PAR. 8. In the conduct of their business, and at all times mentioned herein, respondents have been in substantial competition, in or affecting commerce, with corporations, firms, and individuals in the sale of sewing machines, vacation packages, and cosmetic products of the same general kind and nature as those sold by respondents.

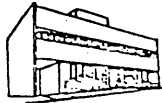
PAR. 9. The use by respondents of the aforesaid false, misleading, and deceptive statements, representations, and practices has had, and now has, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were and are true, and/or into the

purchase of substantial quantities of respondents' products by reason of such erroneous and mistaken belief.

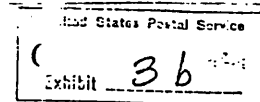
PAR. 10. The aforesaid acts and practices of respondents, as herein alleged, were and are all to the prejudice and injury of the public and of respondents' competition and constituted, and now constitute, unfair methods of competition in or affecting commerce and unfair and deceptive acts and practices in or affecting commerce, in violation of Section 5 of the Federal Trade Commission Act.

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MARKET

DEVELOPMENT  
CORPORATIONHOLLYWOOD BUILDING, CINCINNATI, OHIO, 45224,  
CONTEST AWARD DIVISION**Congratulations!**

It is indeed my pleasure to inform you that your lucky number has been computer selected as a Sweepstakes prize winner.

**YOU ARE TO RECEIVE THE FOLLOWING PRIZES:**

A GLAMOROUS VACATION FOR TWO ADULTS, just minutes away from the world's newest, . . . . . bigger than ever, . . \$300 Million Tourist attraction, . . WALT DISNEY WORLD, near Orlando, Florida. WALT DISNEY WORLD, . . is a completely new kind of vacation experience. Here you will find all the fun of California's Disneyland--and many new attractions created especially for Walt Disney World. And that's just the beginning. . . here you can dine in the banquet hall of a medieval castle. . . sail for miles or sun on the beach of a Polynesian Village. . . watch the sunset from the deck of a 19th Century steamboat. . . ride a swift monorail train right through the "lobby" of a resort hotel, as contemporary as tomorrow.

These adventures and many more, await you and your family at Walt Disney World. Walt Disney World offers a whole new vacation way of life. . . recreation, family entertainment and relaxation. . . all together for the first time in one "Vacation Kingdom."

Or, if you prefer Miami Beach, including 1st class accommodations, a \$100.00 food allowance discount coupon book, plus an optional Bahama Cruise. If a tour out west is more to your liking, you will be our guest at the Hacienda located in the entertainment capital of the world, Las Vegas, Nevada.

**AND THAT'S NOT ALL YOU GET!**

In addition to receiving your Vacation Certificate Award you will also receive a TREASURE CHEST CRAMMED FULL OF NATIONALLY ADVERTISED HOUSEHOLD AND COSMETIC PRODUCTS. . . products used daily by the entire family. In this Treasure Chest you will also discover a rare very expensive cosmetic featured on TV programs such as Concentration, Let's Make a Deal with Monty Hall and advertised in Harper's Bazaar. This BEAUTIFUL AND ELEGANT product retails for \$20.00. This is only one of the many nationally advertised products you will find crammed into this Treasure Chest. . .

(over please)

EXHIBIT A, p. 1

## Complaint

Also included will be a \$100.00 cash merchandise certificate you may use toward the purchase of a zig-zag sewing machine manufactured for one of the world's oldest and very famous sewing machine companies.

SO . . .AREN'T YOU EXCITED. . . YOU CERTAINLY SHOULD BE. . .

because the total intrinsic value of your winnings amounts to approximately \$300.00. Now at this point you are probably asking yourself, "How can this possibly be true?"

The answer is relatively simple. All of our participating co-sponsors are contributing their share toward this fabulous Sweepstakes. It is only through their combined advertising budgets, along with ourselves, Market Development Corporation, that makes this entire presentation possible. Naturally, all of our participating co-sponsors are very proud of their products and feel that through this program you will have an opportunity to acquaint yourself first hand with their many fine products, including fun-filled exciting vacation facilities.

We know you will be quite anxious to claim your Sweepstakes winnings, but you must be sure to claim your winnings within the next 10 days. There is a \$15.00 (total cost to you) service charge to supplement the cost of registering your Vacation Certificate. This includes packaging, handling, freight charges and insuring safe arrival of your Treasure Chest to your door. Naturally, if for any reason whatsoever, upon receipt of your Sweepstakes award package, you find you are not totally and completely satisfied, you may return all prizes, certificates, etc. to us and we will promptly refund your \$15.00.

Sincerely hope that you will be able to take advantage of this wonderful opportunity. You will definitely enjoy the vacation of a lifetime and be more than delighted with the many fine products that will arrive in your Treasure Chest.

Please let us know your decision as early as possible. Simply fill in the enclosed award acceptance form. Also, you must endorse the back of your registered gift certificate (IBN card). You may use the postage paid, self-addressed envelope that I have included for your convenience. Unless I hear from you within the next 10 days, I must assume that you are not interested in taking advantage of your winnings. At that time I will be compelled to pass your winnings on to the next eligible contest winner.

Cordially yours,

*William Hoss*  
Contest Director

William Hoss:HA

P.S. You don't have to make your reservations now. . . you do this when you are ready to go on your vacation. Then mail the reservation area request form (60 days prior to your planned departure date) and you will receive reservation and confirmation request form for the available resort area of your choice. You have a full year to decide where and when you wish to take your vacation. It is not mandatory that you use your Vacation Certificate. This Certificate is given to you as an additional bonus along with the many fine products contained in your Treasure Chest. However, I want to add that the Vacation Certificate is naturally the most valuable part of your Sweepstakes winnings. This Certificate can be transferred at any time. It makes a nice birthday or holiday gift. It is negotiable in the event you wish to sell it. Be sure to clearly indicate your choice of vacation area on your acceptance form. BE SURE TO MAIL IT WITHIN THE NEXT 10 DAYS.

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MARKET  
DEVELOPMENT  
CORPORATION

HOLLYWOOD BUILDING, CINCINNATI, OHIO, 45224.

J M Van Law  
19 Hidden Brook Rd  
Riverside, Connecticut 06878

CONGRATULATIONS MRS. LAW!

It is indeed my pleasure to inform you that our computers have selected the magic house number 19 Hidden Brook Rd.

MRS. LAW, YOU ARE TO RECEIVE THE FOLLOWING:

A GLAMOROUS VACATION FOR TWO in Miami, Florida, or be our guest at one of Las Vegas' fabulous casino hotels. - or take the entire Law family and enjoy fabulous Walt Disney World. Your accommodations will be nearby in Orlando, Florida. Plus over \$100.00 in Food and Entertainment Coupons to use in Florida.

AND THAT'S NOT ALL. - -

By accepting this offer there will be a bonus package delivered to 19 Hidden Brook Rd, Riverside, Connecticut.

So, Mrs. Law, today is indeed your lucky day. If you are excited, you certainly should be.

I have enclosed complete details, along with acceptance form and a return envelope which must be sent to me within the next 10 days in the event you wish to accept this offer.

Cordially yours,

*James F. Lynch*

James F. Lynch

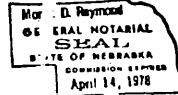
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EXHIBIT B



MARKET  
DEVELOPMENT  
CORPORATION

HOLLYWOOD BUILDING, CINCINNATI, OHIO, 45224.



**CONGRATULATIONS, YOU ARE A WINNER!**

You will recall that you recently entered our free SUPER SWEEPSTAKES. It is my pleasure to inform you that among the thousands of entries submitted, YOUR name was computer selected to receive:

A \$100.00 CASH MERCHANDISE DISCOUNT CERTIFICATE plus an additional bonus gift.

This cash discount certificate is good toward the purchase of the \$179.50 deluxe Good Housekeeper Zig Zag sewing machine. This full size, heavy duty machine makes buttonholes, sews on buttons and makes decorative zig zag patterns. (It will also make a stretch stitch so important for all your knit fabrics!)

The columnist, Sylvia Porter, points out that "A woman who sews can save at least fifty cents out of every dollar she spends on clothing and get far superior workmanship, smartness, and individuality." And can you think of a better way to beat the rising cost of living?

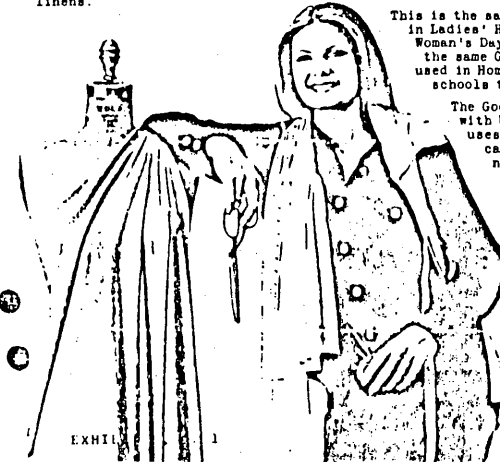
The Good Housekeeper is jam-proof and comes in a chic carrying case of fine aircraft luggage design.

This is a brand new 1974 model, the top of the line.

Good Housekeeper Deluxe Zig Zag Model 308 complete portable.

Regular Price.....	\$179.50
Less Discount Certificate.....	100.00
<b>YOUR TOTAL COST ONLY.....</b>	<b>79.50</b>

Good Housekeeper sewing machines are sold and serviced in all 50 states and have a 25-year guarantee bond. Each machine comes to you completely adjusted, threaded and ready to sew. It also includes extra needles and bobbins, as well as a complete instruction book. Everything you need for creating a variety of imaginative designs in clothes and household linens.



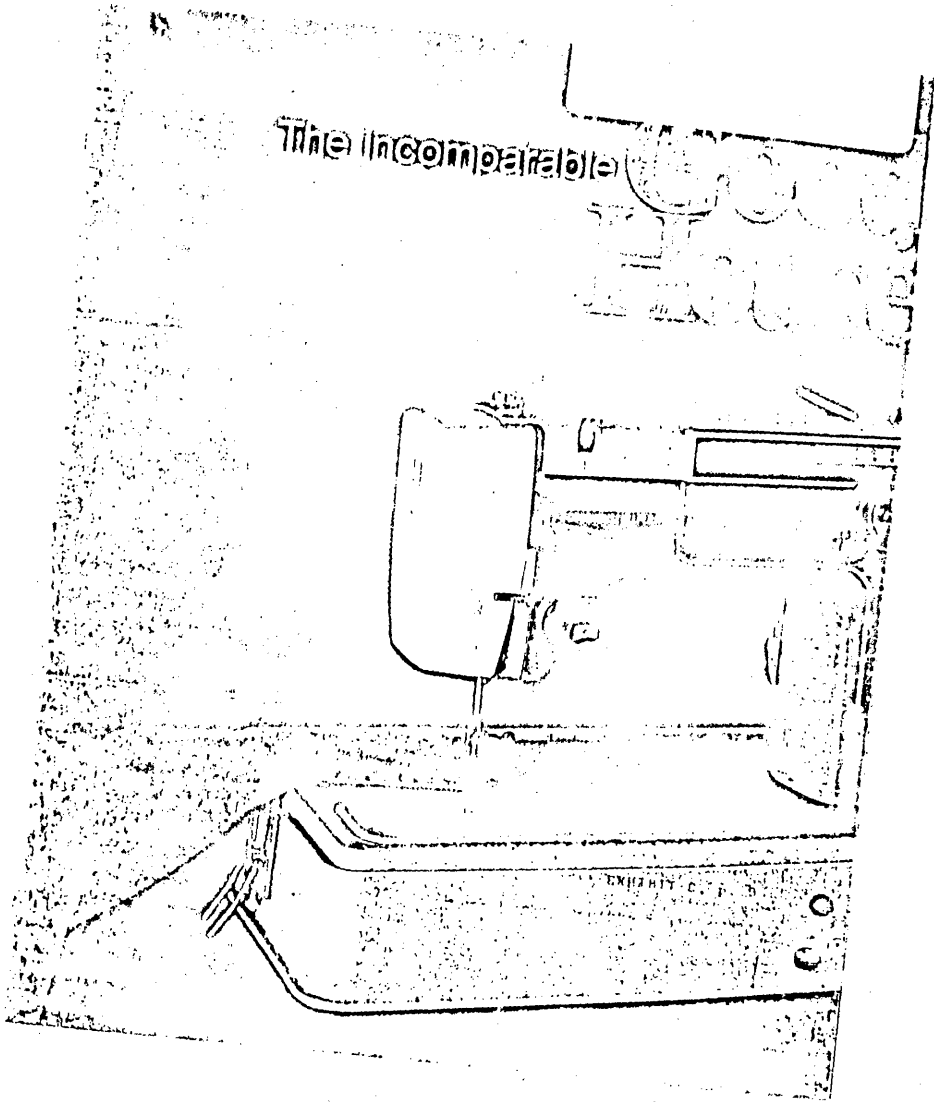
This is the same machine advertised at \$179.50 in Ladies' Home Journal Needle & Craft, Woman's Day and Modern Needlecraft magazines; the same Good Housekeeper machine that is used in Home Economics classes of high schools throughout the country.

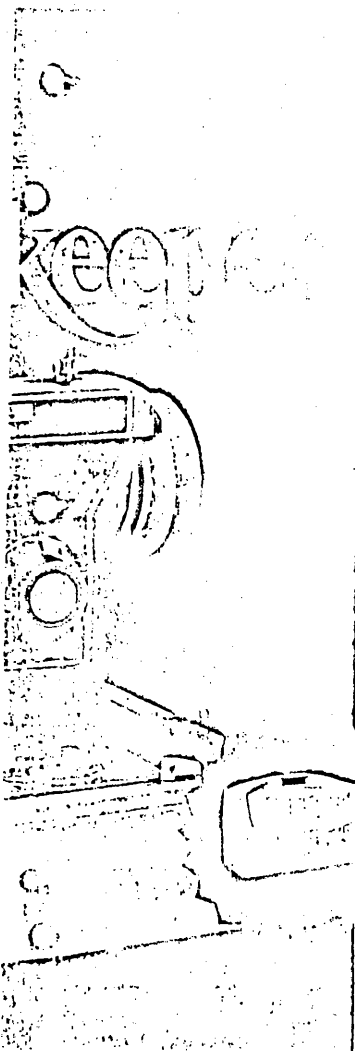
The Good Housekeeper machine is equipped with Underwriters Approved wiring and uses standard needles and bobbins which can be purchased at any store where notions are sold.

You may apply your \$100.00 cash gift certificate toward this machine leaving a very small balance of only \$79.50 -- one of the lowest prices ever for a machine of this quality.

**PLUS ONE MORE EXTRA BONUS GIFT -- JUST FOR RESPONDING QUICKLY!**

Just return your order form within 10 days and you'll receive - along with your Good Housekeeper Zig Zag sewing machine - the popular Hostess Warm-O-Trivet as a valuable bonus gift. The panel below tells all about this great bonus gift. Once you've used it you'll wonder how you managed





Everything you want in a truly fine quality sewing machine. All you add is imagination.

One of the world's finest and most versatile ZIG ZAG Sewing Machines

Making things yourself can be an exciting expression of your own creativity. And nothing gives you more creative freedom than *Good Housekeeper*, the advanced zig zag sewing machine that makes sewing easier than ever before.

Just a touch of a dial gives you perfect stretch stitch sewing for today's popular knits. And wait till you see the controls this *Good Housekeeper* gives you for mending, darning, making buttonholes, sewing on buttons, hems, eyes and monograms—as well as sewing such fabrics as tough canvas and fragile voiles.

Yet with all the performance and reliability built into *Good Housekeeper*, its moderate price may be the most surprising feature of all.

**\$179.50**  
Complete Model 308  
Including 25 Year Written Guarantee

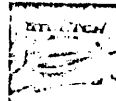
EXHIBIT C, p. 4  
LIGHTWEIGHT CARRYING CASE  
of fine aircraft design  
for true portability.



**BUTTON SEWING** — Sew on 2 and 4-hole buttons, collars, eyes and yokes without fuss.



**BASTING** — Save money by basting men's wall papers, lawn clothing, striped sheets.



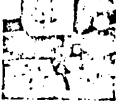
**STRETCH STITCHING** — Just dial for stretch stitching. The stitches stretch with the fabric they were made for.



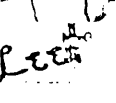
**BLIND STITCHING** — Blind seams really ideal for curtains, draperies. Sewing the seam to hide the seam.



**ZIPPER AND CASING** — Get professional looking results every time. Attach and finish zipper or casing.



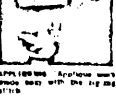
**BUTTONHOLE** — Make any length buttonholes. Sewing easily.



**MONOGRAMMING** — To use a standard dial set or work free hand. Turn out professional results in one try.



**EMBROIDERING** —



**APPLIQUE** — Applique work shows best with the zig zag stitch.

Complaint

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without it, I promise - a true \$5.95 value in itself.

Since your name has been selected from our Super Sweepstakes, I am sure you will be anxious to take advantage of your sweepstakes winnings. You may use your Master Charge or BankAmericard if you wish, and spread out your payments over several months, or send check or money order in the enclosed envelope. But, understand the transaction is not yet complete. We take the risk, I must repeat, your money will be promptly refunded in full. (30 days inspection.) YOU MUST AGREE THAT YOU HAVE RECEIVED MANY TIMES YOUR MONEY'S WORTH. YOU HAVE EVERYTHING TO GAIN AND ABSOLUTELY NOTHING TO LOSE.

In any event, please let me know your decision as early as possible. You will find enclosed a postage paid envelope for your convenience. Unless I hear from you within the next 10 days I must assume that you are not interested in taking advantage of your sweepstakes winnings. At that time, I will be compelled to pass your winnings on to the next eligible contest winner.

Cordially yours,

*James A. Lancaster*  
James A. Lancaster

P.S.: So that you may take immediate advantage of your contest winning certificate you may use any one of our three convenient payment plans.

Plan 1. Use your Master Charge or BankAmericard and, if you desire, spread your payments over several months, or charge it to your American Express. Simply fill in and sign the enclosed charge slip. Your machine and your Warm-O-Trivet will arrive by Express, freight collect.

Plan 2. Remit \$79.50 as payment in full, no interest added. Your machine and your bonus gifts will be shipped, freight collect IMMEDIATELY.


Plan 3. Lay-away. Remit with your order \$10 or more and each month remit \$10 or more until the balance of \$79.50 is paid in full, no interest added.

Just fill out one of the enclosed order blanks and mail today and your Good Housekeeper 308 Zig Zag machine and bonus gift will be delivered to your home for your complete inspection. No salesman will call.

EXHIBIT C, p. 2



Complaint

**mdc**  
  
**MARKET DEVELOPMENT CORPORATION**  
 HOLLYWOOD BUILDING, CINCINNATI, OHIO 45224  
 CONTEST AWARD DIVISION

REGISTERED NO. 519415

TREASURE CHEST WINNER. . . PLUS HOLIDAY FOR TWO

WALT DISNEY WORLD. . . MIAMI BEACH. . . LAS VEGAS, NEVADA. . .

This certificate is valid only thru MARKET DEVELOPMENT CORP. - one certificate per item.

NON-NEGOTIABLE

SHIRLEY FIELD  
 7525 SW KELLY ST  
 PORTLAND OR 97206

354 - 037219  
 WR

BY: *A H Young*

CO456-1355


FIRST CLASS PERMIT NO. 10210 CINCINNATI, OHIO

NO POSTAGE STAMP NECESSARY IF MAILED IN THE UNITED STATES

**BUSINESS REPLY MAIL**

POSTAGE WILL BE PAID BY

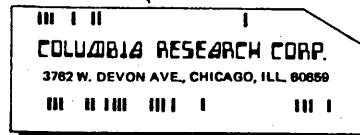
CONTEST AWARD DIVISION  
 5874 HAMILTON AVENUE  
 CINCINNATI, OHIO 45224



**CONTEST AWARD DIVISION**  
 254 MARKET ROAD, CINCINNATI, OHIO 45224

CINCINNATI OHIO 45224  
 MAR 25 1974  
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EXHIBIT D



**Congratulations:**

**Are You In For a *Big* Jackpot Surprise!!!!**

It is indeed my pleasure to inform you that your name has been selected by our computer and you are to receive the following:

A luxurious vacation for two in the casino capital of the world, Las Vegas, Nevada, where adult entertainment awaits you 24 hours a day. As you know, Las Vegas is not only the casino capital of the world it is also the entertainment capital of the world.

Your accommodations are going to be strictly First Class air conditioned rooms with private bath, right on the strip, within walking distance of all the fun and excitement that Vegas has to offer. In addition to having your deluxe accommodations for two paid for in full you will also be entitled to select 3 meals per day from either the delicious menu or buffet and receive a total Food and Beverage allowance of \$62.50.

You will also be given \$18.00 Cash Nickles to spend any way you want. Naturally the casino would not object if you were to drop some of them in their slot machines, but you don't have to, if you don't want to . . . plus an additional \$300.00 in **Lucky Bucks** (Match Play, etc.), you match with your \$1.00 and win \$2.00 etc.

If you prefer the great outdoors, you and your children can *relax* around the beautiful desert landscaped pool. You may choose any time of the year to enjoy your fabulous vacation for two because Southern Nevada's climate is perfect the year round. It is known for its clear, dry, desert climate.

Here you and your family can enjoy the clean fresh desert air. You may want to visit Hoover Dam, one of the seven wonders of the world. See and enjoy scenic Lake Mead, or visit Death Valley and Mt. Charleston. In this area alone it is possible to water ski on beautiful Lake Mead and don snow skis on nearby 12,000 foot Mt. Charleston, all in the same day. Yes, all of this outdoor fun awaits you and your family just over the horizon from glittering Las Vegas.

**Additional Bonuses to Come . . . Over Please**

Page 1 EXHIBIT E  
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 FILE NO. \_\_\_\_\_

**And Believe It or Not There is Still More to Come!**

You will also receive our **Super Jackpot Package** of brand name products. This package will be crammed full of nationally advertised Household and Cosmetic products. These products are from the world's leading manufacturers. Something for every member of the family. They are not sample sizes, but full size products. The total combined value of this package alone will be at least \$25.

Now bear in mind the **Grand Total** value of this Las Vegas Jackpot amounts to approximately \$500.00 or more.

You are probably asking yourself "How can they possibly afford it? or "Who pays for all of this?"

The answer is very simple. All of our participating sponsors are contributing their share toward this fabulous Las Vegas Jackpot. It is only through their combined advertising budgets, along with ourselves, Columbia Research, that makes this entire presentation possible. Naturally, all of our participating sponsors are very proud of their products and feel that through this program you will have an opportunity to acquaint yourself first hand with their many fine products, including their fun filled, exciting vacation facilities.

And perhaps after you have completed your fabulous Las Vegas Jackpot Holiday and have had a chance to use the many fine products from your **Super Jackpot Package**, you might drop us a line and give us your candid opinion, suggestions or comments, etc. You know every business likes to get testimonials from their customers. You may be asked to fill out a short questionnaire form which would help us with our advertising research.

This is a **very limited offer** you will be accepted on a first come, first serve basis. So **you must act at once**. It is very important that I receive your order confirmation form within the next 10 days. You don't have to make your reservations *now* . . . you do this when you are ready to go on your vacation. You have one full year to decide. There is a very small service charge of \$15. (total cost to you) that we must charge to supplement the cost of acquiring, registering and confirming your Super Las Vegas Jackpot Holiday for two. This includes your lodging accommodations and all meals in Las Vegas, etc., everything mentioned earlier in this letter plus packaging, handling, freight charges and insuring safe arrival of your Super Jackpot package of nationally advertised products to your door.

Naturally, if for any reason whatsoever, upon the completion of your holiday for two, you feel that you did not have the vacation of a lifetime and you were not totally delighted with your accommodations, your \$15.00 service charge will be **refunded in full** . . . and you still keep everything that you received in your **Super Jackpot Package** with our compliments.

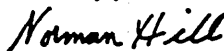
Complaint

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I sincerely hope that you will be able to take advantage of this wonderful opportunity. You will definitely enjoy the vacation of a lifetime and be more than delighted with the many fine products that will arrive in your **Super Jackpot Package**.

Simply fill in the enclosed Vacation Jackpot order confirmation form. Also, you must *endorse the back* of your registered form. Please use the postage paid, self-addressed envelope that I have included for your convenience. *Unless I hear from you within the next 10 days* I must assume that you are not interested in accepting your Super Las Vegas Jackpot Package and your Las Vegas Vacation for Two.

Cordially yours,



Norman Hill  
Fulfillment Director

**P.S.** You don't have to make your reservations now . . . you do this when you are ready to go on your vacation. Then mail the reservation area request form (20 days prior to your planned departure date) and you will receive reservation and confirmation for the resort area of your choice. You have a full year to decide where and when you use your Vacation Certificate. This Certificate is given to you as an additional bonus along with the many fine products contained in your Super Jackpot Package of nationally advertised products. However, I want to add that the Vacation Certificate is naturally by far the most valuable part of this valuable offer. This Certificate can be transferred at any time. It makes a nice birthday or holiday gift. Be sure to clearly indicate your choice of vacation areas on your acceptance form. **Be sure to mail it within the next 10 days.** Remember, you are risking nothing because your order is filled on a **100% money-back guarantee.**

**P.P.S.** Perhaps you would rather vacation in the beautiful sunshine state of Florida. You will receive first class deluxe accommodations for two adults for five days and four nights\* plus receive over \$15 in valuable vacation coupons that can be applied toward attractions, admissions, restaurants and other fabulous Florida features. You may choose the resort area which you would enjoy most —  
St. Petersburg/sparkling Clearwater,  
Central Florida, Walt Disney World area.

Complaint

YOUR HOLIDAY GIFT CERTIFICATE ENTITLES YOU TO (GENERAL EXPLANATION)

If your choice is Las Vegas—3 days and 2 nights—1st class accommodations. Each room has finger tip controlled air conditioning, swimming pool, etc. You will enjoy sparkling night life, late night and casinos everywhere you go! Big name entertainment, championship golf courses, and a chance to break the bank in Las Vegas.

In addition to taking your deluxe accommodations for two paid for in full you will also be able to select your delicious meals from either the buffet or à la carte, including cocktails, receiving a total Food and Beverage allowance of \$42.50.

You will also be given \$18.00 Cash Nickles to spend any way you want. Naturally the casino would not object if you were to drop some of these in their slot machines, but you don't have to if you don't want to... plus an additional \$300.00 in Lucky Bucks (Match Play, etc.) which match with your \$1.00 and win \$2.00 etc.

If you decide to vacation in Florida, you will receive deluxe accommodations for two adults for 5 days and 4 nights exact during peak season, February through June 3 days, 2 nights.

You enjoy vacation at the resort area of your choice.

Reservations are subject to availability of rooms. In the event your accommodations are not available, we will naturally attempt to provide accommodations as close as possible to your chosen resort.

This offer is void where prohibited by law. Resorts are AAA recommended or members of a nationally recognized hotel organization and accept major credit cards such as BankAmericard and Master Charge.

Transportation not included.

Holders of this Certificate must be at least 21 years of age, married and accompanied by spouse, or two unmarried persons of the same sex, in the same room. One certificate per family.

If you wish to extend your vacation beyond the days specified on the Holiday Gift Certificate, you may do so at the then prevailing hotel/motel rates, payable directly to the resort.

You will also receive your Super Jackpot Package of brand name products. This package will be crammed full of nationally advertised Household and Cosmetic products. These products are from the world's leading manufacturers. Something for every member of the family. They are not sample sizes, but full size products. The total combined value of this package alone will be at least \$25.

This offer open to residents of United States, except employees of Columbia Research Corp. and their families. This is an incentive program offer. It is not a contest or prize notification. Void where prohibited by law.

The valuations and prices listed in the communication are shown for reference purposes only. They do not necessarily represent the usual or customary prices at which these items are sold at retail in your community at any particular period of the year. The quoted values and prices represent a retail price, or our determination of a fair and normal price at which comparable merchandise is sold. We believe these retail prices generally reflect actual selling prices, but we do not control the prices charged by others on a particular date in any specific locale.

Offer subject to minor change without notice but never less than stated value.

The more the merrier .... Let others be your guest ....

One of the best rewards that we can receive in life is the joy of sharing our good fortune with others. Now it is possible for you to say "Be Our Guest" to those who are very special. If you have friends or relatives who meet the requirements and who may wish to accompany you to Las Vegas on this special offer, you may order an additional Las Vegas Vacation and Super Jackpot Package. This would certainly be an excellent gift for any occasion such as birthdays, anniversaries, Christmas, etc. Just fill out the information below and mail this form to us— only one certificate per family per year may be used. Vacations may be planned together or separately.



Please ship the Super Jackpot Bonus Package of Nationally advertised products, including a Las Vegas Holiday Vacation for two Gift Certificates.

Enclosed you will find a personal check or money order for \$15.00 payable to Columbia Research. I understand that the money back guarantee applies to this order as outlined in your letter.

Please ship to:

NAME \_\_\_\_\_ ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

Choice of Resort Area is  Las Vegas  Florida's Disneyworld area  Miami Beach

100% Money Back Guarantee

**COLUMBIA RESEARCH CORP.**  
3782 N. DEVON AVE., CHICAGO, ILLINOIS 60659

REGISTERED NO.  
12501-1025669

This certificate is valid only  
for COLUMBIA RESEARCH  
CORP. one certificate per item.

**NON-NEGOTIABLE**

*Norman Hill*  
VALIDATED BY

**ORDER CONFIRMATION FORM**

ATTENTION: MR. NORMAN HILL.  
Yes, we certainly want to take advantage of your fabulous offer.  
Our choice of Resort Area is:  Las Vegas  Central Florida  Miami Beach

Enclosed you will find my personal check or money order for \$15.00 payable to COLUMBIA RESEARCH CORP. If for any reason whatsoever, upon the completion of our vacation for two at the resort area as checked above, we feel that we are not totally delighted you will promptly refund our \$15.00 service charge in full, and we may keep the entire contents of the Super Jackpot Package crammed full of nationally known household and cosmetic products with your compliments.

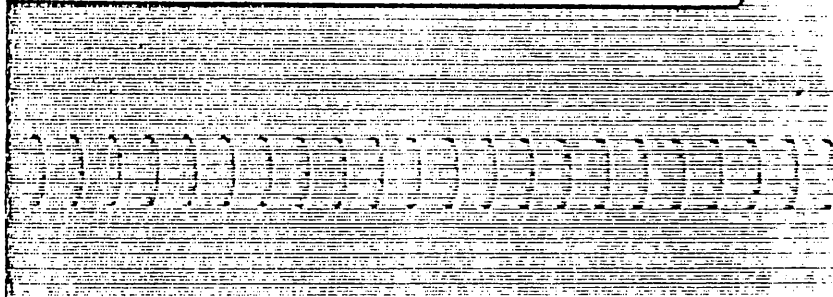
12501-1025669 REGISTERED NO.

Page 2 EXHIBIT E

NAME \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

Validated by  
N.P.

**MONEY-BACK GUARANTEE** REGISTERED NO. 12501-1025669



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Complaint

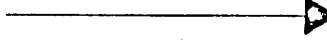
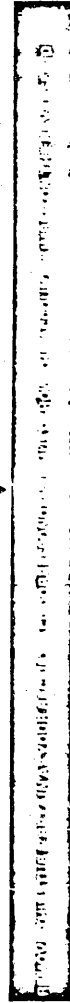
PLEASE ENDORSE ON THIS LINE

Endorse above and return this

ENTIRE document after

REMOVING THIS STUB

This stub is your official receipt.



FEDERAL TRADE COMMISSION DECISIONS

Complaint

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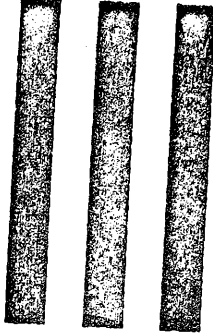
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FILE NO. \_\_\_\_\_

First Class  
Permit No. 72077  
Chicago, Ill.

BUSINESS REPLY MAIL No postage stamp necessary if mailed in the United States

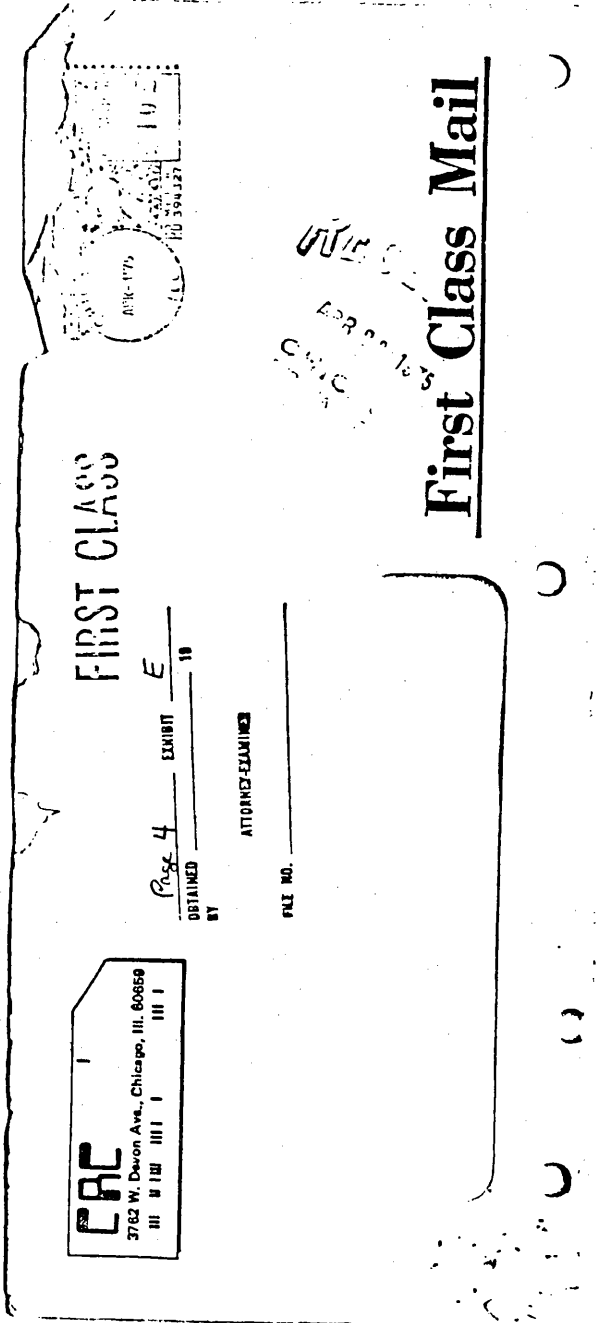
Postage will be paid by



**COLUMBIA RESEARCH CORP.**

3762 W. DEVON AVENUE  
CHICAGO, ILLINOIS 60659

Complaint



Initial Decision

95 F.T.C.

INITIAL DECISION BY THOMAS F. HOWDER, ADMINISTRATIVE LAW  
JUDGE

JUNE 7, 1979

## PRELIMINARY STATEMENT

The Commission's complaint in this case, issued December 19, 1975, charges two corporations and three individuals with a wide variety of deceptive statements and practices in the advertising and distribution of "vacations," sewing machines, and household and cosmetic products through mass mailings, magazines, newspapers and catalogues. [2]

Thirty specific charges are listed in the complaint, having to do with such matters as: (1) the characterization of respondent companies as market research firms, as offering promotional incentives, as having co-sponsors and as representing other companies; (2) the offering of "free" vacations and vacation coupons, and other "free" goods and services; (3) the conducting of "contests," with concomitant prizes, winnings, awards, gifts and bonuses; (4) representations concerning "special selection" and "once-in-a-lifetime" opportunities, with limited times for acceptance; (5) monetary charges to customers for what was described variously as "registration," "handling" or "service"; (6) representations concerning the value of respondents' "Treasure Chests" and "Gift Cartons," the size of products contained therein, and the description and retail selling price of the perfumes in such packages; and (7) the total value of the goods and services offered by respondents. In addition, the complaint challenges respondents' sales of sewing machines, including representations concerning servicing, use, retail prices and discount certificates.

Respondents' answers, filed in early and mid-June 1976, generally denied the substantive allegations.

Prehearing conferences were held on July 19, 1976, in Washington, D.C., and on December 1, 1976, and February 15, 1977, in Cleveland, Ohio. The process of discovery in this case was arduous. Respondents Raymond Anderson and Columbia Research Corporation<sup>1</sup>, in particular, vigorously resisted the attempts of complaint counsel to obtain needed information. Eventually, following the refusal of these respondents to comply with discovery subpoenas, it became necessary to impose sanctions pursuant to Rule 3.38(b).

Trial of this matter commenced on January 31, 1978, in Los Angeles, California, and continued at intervals throughout most of that year in Las Vegas, Nevada; New York, New York; Cincinnati and Cleveland,

<sup>1</sup> Frequently referred to herein as "CRC."

Ohio; Chicago, Illinois; and Washington, D.C. Much of the record consists of consumer testimony and evidence.

The record (which includes a transcript of 6101 pages and over 1100 exhibits) was closed on February 5, 1979, following the disposition of various post-trial motions of the parties.

Any motions not heretofore or herein specifically ruled upon, either directly or by the necessary effect of the conclusions in this Initial Decision, are hereby denied. [3]

This proceeding is before me upon the complaint, answer, testimony and other evidence, proposed findings of fact and conclusions of law filed by counsel supporting the complaint and by counsel for respondents Raymond Anderson and CRC. The proposed findings of fact, conclusions and arguments of these parties have been carefully considered, and those findings not adopted either in the form proposed or in substance are rejected as not supported by the evidence or as involving immaterial issues not necessary for this decision.

The transcript of testimony is usually referred to with the last name of the witness and the page number or numbers upon which the testimony appears. For a complete listing of the abbreviations used in this Initial Decision, see Appendix A, pp. i-iii.

Having heard and observed the witnesses and after having carefully reviewed the entire record in this proceeding, together with the proposed findings and conclusions submitted by the parties, I make the following findings:

#### FINDINGS OF FACT

##### I. IDENTITY OF RESPONDENTS AND THE NATURE OF THEIR BUSINESS

###### A. Market Development Corporation

1. Market Development Corporation ("MDC") was a corporation organized, existing and doing business under, and by virtue of the laws of the State of Ohio, with its office and principal place of business located at 5826 Hamilton Ave., Cincinnati, Ohio. MDC began operating in late 1969 and terminated its business operations in June 1974, when it filed for bankruptcy (Complaint, ¶ 1 and Answer of Raymond Anderson, ¶ 1; CX 660A, B; Joseph Anderson 3928-29).

2. MDC grew from about four clerical employees in 1970, when it was located at 5918 Hamilton Ave., Cincinnati, Ohio, to approximately 15 employees in 1971, when it moved to 5826 Hamilton Ave. It employed 15 to 20 sales personnel in 1970 to conduct in-home sales presentations of sewing machines (Harris 5023-26, 5028). At the time

FEDERAL TRADE COMMISSION DECISIONS

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that it terminated business in June 1974, MDC employed 22 individuals, including respondent Raymond Anderson (CX 673A-B).

3. MDC also established a plant located at 3584 Hauck Road in Cincinnati, Ohio (Harris 5024). This plant operated from a warehouse type building with postage meters, printing equipment, sorting machines and other equipment (Harris 5027), and employed a total of about 25 individuals (Joseph Anderson 3993). MDC maintained an inventory of sewing machines, Treasure Chests and trivets at its Hauck Road facilities (Joseph Anderson 3970, 3975). [4]

4. When MDC first began operations, it sold sewing machines primarily in Ohio and West Virginia through in-home presentations conducted by its sales force. The sales force was disbanded when the firm began offering sewing machines through mail order solicitations (Joseph Anderson 3928, 3930-32).

5. MDC's sewing machine customers were offered three payment options: cash, layaway or credit card (Flach 3506-07; CX 1329).

6. In addition to sewing machines, MDC offered the following products and services to consumers: vacation certificates; promotional kits, including ones denominated as "Treasure Chests," which contained household and cosmetic products; and trivets (Karniol 2008-10; Taubes 2243-46; CX 288A; Juanita Anderson 3716-17; Joseph Anderson 3931-32, 3937, 3969-70; Flach 3567-68). These products and services were presented to consumers primarily through solicitations in direct mailings and magazines (Joseph Anderson 3930-32; Flach 3500-02; *see, e.g.*, Fs. 8, 12, 60).

7. Florence Wolf, Inc., a company that supplied mailing list services to its customers (Sutton 4148-49), dealt with respondents Raymond and Juanita Anderson and provided mailing lists to MDC containing the names of consumers to whom solicitations would be sent (Sutton 4154-55, 4164-66).

8. MDC utilized mass mailings in making its direct mail solicitations to consumers (*see, e.g.*, CX's 1700A-B, 1701, 1705, 1710, 1715, 1720). The solicitations were sent out on a daily basis (Joseph Anderson 3973), and, at one point, amounted to as many as 529,000 pieces mailed in one month (CX 1705). Millions of consumers throughout the United States received solicitations from MDC<sup>2</sup> (Fs. 60, 77, 93).

9. MDC conducted test mailings of its solicitations in order to determine which elicited the highest percentage of incoming orders from consumers (Joseph Anderson 3959-61). In order to break even, MDC needed paid responses to its mailings of between 1.5% and 1.7%

<sup>2</sup> In some instances, MDC instructed its computer processing firm to delete the names of consumers living in certain states such as Ohio and Michigan (Sarbaugh 3648-49; CX 2061).

(Karniol 2070-71). Its actual rate of responses ranged from 3.5% to 5% (Karniol 2070). [5]

10. Initially, MDC processed about 20 incoming sewing machine orders per day manually; by 1973, the number of orders had increased to 40 to 50 per day (Flach 3513-14, 3523, 3529).

11. Subsequently, MDC began processing orders by computer. The firm would give its customer orders to a computer house which processed the orders and returned a print-out sheet and shipping labels to MDC. MDC employees then calculated the shipping charges, entered those charges on the labels and made up the shipping orders. The sewing machine shipping orders were stored at MDC's Hamilton Avenue location until instructions were given to send the orders to the Hauck Road facilities (Flach 3516-19).

12. MDC conducted various contests and placed entry forms in magazines such as TV Guide, Family Circle and Good Housekeeping. By returning an entry form filled in with their name, address and phone number, consumers would become eligible to win prizes such as sewing machines or electric scissors. Entries would be keypunched and a computer would select the winning names based on a mathematical formula correlated to the number of prizes that MDC represented would be given away. For example, if a contest had 1,000 entrants and there were 20 prizes to give away, the computer would select every fiftieth name (Harris 5032-42).

13. In addition to offering sewing machines by mail, MDC offered vacations in the form of vacation certificates to consumers responding to its solicitations. MDC purchased vacation certificates from several companies that also arranged for the accommodations of MDC's customers in hotels or motels. These certificate companies included Genie Enterprises ("Genie") in Las Vegas, Nevada; Vacation Incentives and Properties, Inc. ("V.I.P.") in Miami, Florida; and Resort Hosts International, Inc. ("Resort Hosts") in St. Petersburg and on the west coast of Florida (Juanita Anderson 3743-47; Wray 5276-77; CX's 867, 875, 883, 884). As an example, MDC paid \$1.00 for each certificate provided by V.I.P., and placed orders in quantities as high as 25,000-30,000 certificates for a one-month period (CX's 867, 875, 883, 884; Wray 5277).

The certificates that MDC purchased were for accommodations at the Sheraton Hotel in St. Petersburg, the Sheraton West in Orlando, the Colonial in St. Petersburg Beach, and various hotels in Fort Lauderdale, Florida and elsewhere. Resort Hosts, one of the companies from which MDC purchased the certificates, honored the certificates even though MDC had subsequently gone bankrupt. Resort Hosts did so, according to witness Wray, because it "was a land development

