

STATE OF MAINE

KENNEBEC, SS.

IN RE FEELIN' GREAT, INC.,
a Nevada Corporation,
KARL WATTS, ALFRED W. SMITH

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ASSURANCE OF DISCONTINUANCE

Pursuant to the Unfair Trade Practices Act, 5 M.R.S.A. § 206 et seq., the Attorney General has examined the conduct of Feelin' Great, Inc., a Nevada Corporation, Karl Watts and Alfred W. Smith (hereinafter collectively referred to as Assurers) and has found the following:

1. Feelin' Great, Inc. is a Nevada Corporation having its principal place of business at 3401 Norman Barry Drive, Suite 110, Atlanta, Georgia 30344. Feelin' Great, Inc. had not, at the time it commenced its activities in the State of Maine, applied for authorization to do business in the State pursuant to 13-A M.R.S.A. § 1202, as a foreign corporation.

2. Assurer Karl Watts (hereinafter referred to as "Watts") is the president and chief executive officer of Feelin' Great. He resides at 360 Strathy Lane, Winter Park, Florida 32792. He formulates, directs, controls and participates in the acts and practices of Feelin' Great.

3. Assurer Alfred W. Smith is vice-president of Feelin' Great. He resides in the State of Florida. He formulates, directs, controls and participates in the acts and practices of Feelin' Great.

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4. At the direction of Assurers individuals in Maine, who are currently no longer associated with Assurers, placed advertisements in Maine newspapers soliciting participants in 'Feelin' Great's program.

5. Assurers are in the business of selling motivational seminars known as the "Steps to Greatness" through a multi-level marketing plan. Assurers sell:

- A. The right to attend several different seminars variously known as the "new life seminars," "sales representative workshops" and "executive sales director, (ESD) workshops" offered for \$50, \$30 and \$50 respectively; and
- B. The Steps to Greatness seminars, consisting of four individual parts. Step I costs \$500; Step II costs \$1,000; Step III costs \$1,500; and Step IV costs \$2,000. The total cost of the entire program is \$5,000.

6. The Attorney General alleges that in truth and in fact:

- A. The sale of the "Steps to Greatness" motivational course is incidental to the real opportunity being offered participants which is the right to recruit other investors into the program who are in turn granted the right to recruit additional investors; and

B. Accompanying the right to recruit new investors is the lure of the receipt of investment profits based upon the sales and recruiting activity of the new investors so procured.

7. Assurers encourage prospective participants to pay \$150 to attend the initial weekend seminar by claiming that attendance at this meeting will enable the prospects to become financially independent and will change their lives.

8. Assurers have placed advertisements in Maine newspapers implying that Assurers are seeking prospective employees when, the Attorney General alleges that in truth and in fact, Assurers are seeking potential participants to attend the \$150 initial sales meeting.

9. Assurers represent that large profits can and are made by selling Assurers' motivational seminars without reasonable basis to substantiate that a prospective sales representative or otherwise designated sales personnel would earn the specified amount. Assurers have made factual misstatements that specified amounts of money have been earned by participants in Assurers' program.

10. Assurers have represented that the company is growing at the rate of 300 percent per month without reasonable basis for such a statement.

11. Assurers' marketing program consists of two levels. The requirements for each level, and the commission to be received by a salesperson at each level, are represented by Assurers as follows:

- A. The entry level position is that of Sales Representative (hereinafter referred to as an SR). An SR must be sponsored by an executive sales director in good standing. SRs receive a 20 percent commission on their sales of Assurers' motivational seminars.
- B. The next level is that of an Executive Sales Director (hereinafter referred to as an ESD). To become an ESD an SR must be sponsored by an existing ESD, have sold \$5,000 worth of Assurers' seminars, recruited two SRs as replacements for the sponsoring ESD and attended an ESD workshop at a cost of \$50. ESDs receive a 50 percent commission on their sales of Assurers' motivational courses and a 30 percent commission on the combined sales made by the ESDs and SRs they recruit. If an SR recruited by an ESD advances to become an ESD, the recruiting ESD receives an additional 10 percent commission on the combined sales of the breakway ESD and his or her sales representatives.

12. The Attorney General alleges in truth and in fact that Assurers allow and encourage prospective participants to act as their own Sales Representative and to purchase the seminars from themselves. A new SR earns a 20 percent commission on the sale to himself or herself and therefore, only pays \$4,000 rather than the stated price of \$5,000 for the "Steps to Greatness" course. In addition, by purchasing the seminar from himself or herself, the SR also meets the \$5,000 sales quota required to become an ESD.

Because each SR has an opportunity to buy from himself or herself at a price \$1,000 less than the stated price, and because such a purchase meets the \$5,000 quota, the Attorney General alleges that:

- A. There is no reasonable possibility that SRs will be able to sell to anyone other than themselves because no reasonable purchaser will buy from the SR when he or she can buy from himself or herself for \$1,000 less, and at the same time meet his or her own \$5,000 quota.
- B. Therefore, the 20 percent commission offered to SRs is in fact a discount from the stated price of the seminars, and not an opportunity to earn income. The only reasonable manner in which sales representatives may earn a commission on sales to others is by becoming

an ESD. In order for an SR to become an ESD, he or she must generate \$5,000 in sales volume. The SR may generate this volume by purchasing the seminar himself or herself. Indeed, because there is no reasonable possibility that an SR can sell to another person, the SR must purchase the seminar himself or herself if he or she wishes to become an ESD.

- C. In order to earn the sales commissions which Assurers represent can be earned, potential sales representatives must purchase from Assurers' services priced at \$5,000.
- D. As a necessary result of Assurers' multi-level marketing plan, individuals pay valuable consideration for the opportunity to earn commissions when new participants are introduced into the plan. These new participants likewise pay valuable consideration for the opportunity to earn commissions when they introduce additional participants into the plan.

13. The Attorney General alleges in truth and in fact that Assurers fail to disclose:

- A. That the success of each SR and ESD is dependent upon the efforts and ability of Assurers to persuade new investors to join the Feelin' Great program; and

B. That the pyramiding effect inherent in the Feelin' Great marketing program makes it impossible for most investors to make a profit and that saturation is likely to occur.

14. The Attorney General alleges in truth and in fact that Assurers have failed to register with the Department of Business Regulation; have failed to provide the Department with evidence of a bond or escrow account of \$30,000; and have failed to provide the Department with the required Disclosure Statement, as required by 32 M.R.S.A. § 4696.

15. The Attorney General alleges in truth and in fact that Assurers have failed to provide prospective participants in Assurers' program with the Disclosure Statement required by 32 M.R.S.A. § 4693.

16. The Attorney General alleges in truth and in fact that Assurers have failed to register with the Superintendent of Banking as dealers in securities and have failed to provide notice of intention to sell securities.

17. In light of the above, the Attorney General alleges in truth and in fact that Assurers' activities violates the following Maine laws:

A. 13-A M.R.S.A. § 1202 relating to the trans-acting of business in Maine as a foreign corporation without authorization;

- B. 32 M.R.S.A. § 4669 relating to referral sales;
- C. 17 M.R.S.A. § 2305 relating to the operation of a pyramid sales scheme;
- D. 32 M.R.S.A. § 4691 et seq. relating to the sale of business opportunities;
- E. 5 M.R.S.A. § 206 et seq. relating to misrepresentations; and
- F. 32 M.R.S.A. § 751 et seq. relating to the sale of securities.

WHEREFORE, without admission as to any issue of law or fact alleged in the preceding paragraphs, Assurers, pursuant to 5 M.R.S.A. § 210 agree as follows:

1. Assurers, their employees, agents, affiliates and any and all persons acting in concert or participation with them shall permanently discontinue, directly or indirectly:

- A. Transacting business in the State of Maine until and unless Feelin' Great, Inc., obtains authorization from the Secretary of State as required by 13-A M.R.S.A. § 1202.
- B. Engaging in any sales in Maine in violation of 32 M.R.S.A. § 4669, including but not limited to:
 - (1) offering to pay a commission or give a rebate or discount to any present or prospective purchaser of Assurers'

program for the purchase of said program by such person;

- (2) offering to pay a commission or give a rebate or discount to any present or prospective purchaser of Assurers' program if, after such purchaser agrees to purchase said program, and prior to such purchaser's becoming an Executive Sales Director as outlined below, he provides Assurers with names of other prospective purchasers or aids Assurers in making sales of Assurers' program to others;
- (3) Assurers shall specify the level at which a trainee, Qualifying Executive Sales Director, or otherwise designated sales personnel of Assurers shall advance to the level of Executive Sales Director or otherwise designated sales position, and become eligible to earn commissions pursuant to Assurers' marketing program. Assurers shall inform the Attorney General within ten (10) days of the filing of this Assurance of its present marketing system and any changes made to said system within one year of the filing of this Assurance.

C. Engaging in any sales or marketing program in Maine, in violation of 17 M.R.S.A. § 2305, including but not limited to:

- (1) Making sales of Assurers' courses to any present or prospective Sales Representative (SR), or otherwise designated sales personnel of Assurers, if such sales constitute any part of a required sales volume entitling said person to become an Executive Sales Director (ESD), or otherwise designated sales personnel, qualifying for higher and/or bonus commissions.
- (2) Making sales of Assurers' courses to any present or prospective SR, or otherwise designated sales personnel of Assurers, if the courses are required for said person to participate in Assurers' marketing plan and receive something of value when a person later induced by the SR, or otherwise designated sales personnel of Assurers, induces a new participant to participate in the marketing plan.
- (3) Requiring an SR, or otherwise designated sales personnel of Assurers, to recruit any new participants in Assurers' marketing

plan as a condition of said person
advancing within Assurers' multi-level
marketing system.

D. Engaging in the sales of any business opportunities
in Maine, in violation of 32 M.R.S.A. § 4691 et
seq., including but not limited to:

(1) offering to sell, or selling the right
to participate in seminars concerning
Assurers' marketing program for a fee
exceeding \$50:

(a) without having provided prospective
participants with the Disclosure
Statement required by 32 M.R.S.A.
§ 4693, at least the earlier of 72
hours before an agreement to partici-
pate is signed, or 72 hours before any
consideration is given to Assurers by
prospective participants to participate,
or at the first face-to-face meeting
between Assurers and prospective
participants the purpose of which is
to discuss participation in the seminars.

(b) without having met the registration
requirements applicable to Business
Opportunity sellers specified in 32
M.R.S.A. § 4696.

E. Employing any fraud, false pretense, false promise, misleading statement or deceptive statement with the intent that others rely thereon in connection with the sale of merchandise, in violation of 5 M.R.S.A. § 206 et seq. including but not limited to:

- (1) Inviting, requesting or encouraging the attendance of any person to a seminar or otherwise designated meeting by the use of any representations which may mislead that person as to the nature of the meeting.
- (2) Making representations as to potential earnings without any reasonable basis to substantiate that a prospective sales representative or otherwise designated sales personnel could earn the specified amount.
- (3) Representing that any given amount of money can be made through the Feelin' Great marketing program or has been made by any participant in the program without fully and accurately disclosing the name and address of such participant and the average amount of money made by participants in the State of Maine during the immediate past calendar month.

- (4) Making any representation as to the number of participants in Feelin' Great unless and until Assurers have a reasonable basis for such representations.
- (5) Making misrepresentations as to the number of states in which Feelin' Great is operating.
- (6) Representing that Assurers are seeking prospective employees, in those instances when Assurers are seeking potential participants in Assurers' marketing program and/or to sell Assurers' motivational courses; and
- (7) Representing that specified earnings are possible when Assurers have no reasonable basis to substantiate that prospective participants in Assurers' marketing program could make such earnings.

F. Selling securities in Maine, in violation of 32 M.R.S.A. § 751 et seq., including but not limited to:

- (1) Selling unregistered securities in violation of 32 M.R.S.A. § 871.
- (2) Transacting business in the State of Maine as a securities dealer, agent or salesman unless registered as required by 32 M.R.S.A. § 851.

2. Assurers shall mail a copy of this Assurance to all of its known employees, agents, officers, sales representatives, executive sales directors and area coordinators and otherwise designated sales personnel within the State of Maine within ten (10) days of the date of execution of this Assurance and to all such personnel in Maine who become associated with Feelin' Great, Inc. within one year from the date of execution of this Assurance. Assurer Karl Watts shall execute an affidavit and file the same with the Attorney General's Office no later than 21 days after the date of execution of this Assurance, certifying that such mailing has been completed and listing the names and addresses of all persons to whom the mailing was sent;

3. Assurers shall distribute to all present and prospective sales personnel written material stating that their purchase of motivational courses or seminars either for themselves or others, shall not constitute any part of a required sales volume and any written material to the contrary shall be withdrawn from the State of Maine no later than 10 days after the execution of this Assurance.

4. Assurers, their agents, employees, officers, directors, trainees, successors, assigns, present or prospective sales personnel, shall make no representations that the Attorney

General of the State of Maine or any other official, employee, department and/or agency of the State of Maine, has endorsed, authorized or approved any of its programs or seminars.

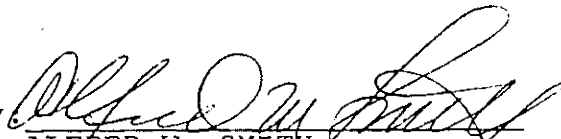
5. Assurers shall notify the Office of the Attorney General, in writing or by telephone, in advance of the time and location of any Feelin' Great seminar to be held in the State of Maine for a period of six months after the execution of this Assurance.

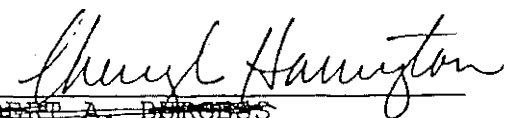
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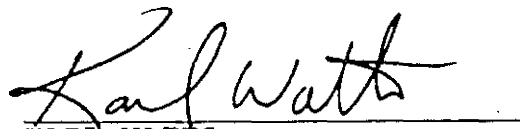
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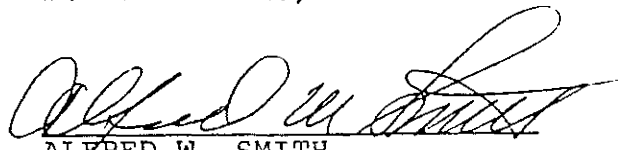
FEELIN' GREAT, INC.

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