

**CONSUMER PROTECTION  
IN  
KANSAS**

**1988**



**Annual Report of the Consumer Protection Division  
OFFICE OF ATTORNEY GENERAL  
ROBERT T. STEPHAN  
State of Kansas**



STATE OF KANSAS

OFFICE OF THE ATTORNEY GENERAL

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ATTORNEY GENERAL

January 9, 1989

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TO: The Honorable Mike Hayden, Governor  
and Members of the Kansas Legislature

I commend to your reading the following report of my Consumer Protection Division. In 1988, the number of consumer complaints filed in my office rose by 25 percent. I am very proud of the assistance my Consumer Protection Division was able to provide to Kansas consumers.

We continue to play a major role in consumer protection in both Kansas and on the national level. Attorneys General from across the country have joined with me in major efforts directed towards cleaning up deceptive advertising by national companies. Kansas consumers will benefit directly from settlements reached with the Hertz Corporation, Continental Airlines and the Chrysler Corporation.

My number one priority is to protect Kansas consumers from unfair and deceptive business practices through strong enforcement of the Kansas Consumer Protection Act against any violator, whether they are located in Kansas or not. It is only through strong enforcement and public education that we are able to continue to protect the rights of Kansas consumers.

I appreciate the support my Consumer Protection Division and Kansas consumers have received from the Governor and the Legislature, and ask for your continued assistance in protecting our citizens.

If my staff or I may be of service to you or your constituents, or if we can answer any questions you may have regarding Consumer Protection in Kansas, please feel free to contact me.

Very truly yours,

ROBERT T. STEPHAN  
Attorney General

## INTRODUCTION

This past year Attorney General Robert T. Stephan's Consumer Protection Division received more written complaints than in any previous year. The number of consumer complaints in 1988 exceeded those received in 1987 by 25 percent. This was a direct result of increased enforcement of the Kansas Consumer Protection Act by the Attorney General's Consumer Protection Division against those who engage in deceptive and unconscionable practices. In 1988, the Consumer Protection Division recovered nearly \$14.2 million for consumers in the state and in the nation. This is the largest amount of money every recovered by the Attorney General's Consumer Protection Division in one year.

In the single largest consumer settlement in the history of the Kansas Attorney General's Office, Attorney General Stephan reached an agreement with Continental Airlines on behalf of consumers nationwide valued at \$13.5 million. The Attorney General also negotiated a settlement with the Hertz Corporation in 1988 which will return \$2.3 million to consumers across the country. The Hertz settlement money, which will not be paid out until 1989, is not included in the 1988 recovery figure.

Attorney General Stephan has made Kansas a leader in consumer protection nationwide through cooperation with other states and the National Association of Attorneys General (NAAG). In 1988, the Attorney General was named chairman of the National Association of Attorneys General Car Rental Task Force, as well as chairman of the NAAG-Federal Trade Commission (FTC) Working Group.

In March and August, 1988, Attorney General Stephan and ten members of his Car Rental Task Force, met with the FTC and representatives of the car rental industry for a series of hearings to look into the advertising and sales practices of the car rental industry. Those meetings led to the preliminary approval of a set of national advertising and business practices guidelines by the National Association of Attorneys General.

Attorney General Stephan's leadership of the Car Rental Task Force, along with his participation on the executive committee of the NAAG Airline Task Force, which resulted in national advertising and frequent flyer guidelines for the airline industry in 1987, prompted a leading advertising trade publication to name Attorney General Stephan

one of the ten most feared Attorneys General in the United States in 1988.

In addition to nationwide settlements which directly benefit Kansas consumers, efforts to mediate and settle complaints to the Attorney General's Consumer Protection Division have led to the collection of nearly \$700,000 in restitution paid directly to Kansas consumers.

Settlements have been reached on behalf of the state's consumers with companies advertising timeshare and resort properties, companies that sell discount jewelry, mail order businesses which fail to deliver or make refunds and a scam aimed at senior citizens using scare tactics which raised the fear of loss of medicare benefits.

In addition to enforcement and settlement activities, the Attorney General's Consumer Protection Division continues its aggressive campaign to educate consumers throughout Kansas by delivering hundreds of speeches to schools, civic groups and community organizations. Information on new consumer scams is sent to the media through consumer protection alerts. A weekly newspaper column entitled "Consumer Corner" is sent to more than 200 newspapers, and a radio version of the "Consumer Corner" is picked up by nearly a dozen Kansas radio stations. In addition, thousands of the state's consumers viewed examples of consumer rip-offs and spoke with Attorney General Stephan, special agents and attorneys of the Consumer Protection Division while visiting the Attorney General's Consumer Protection booth at the Kansas State Fair in Hutchinson.

In order to strengthen consumer protection in Kansas, the Attorney General formed his Consumer Protection Advisory Council in November, 1988. The Council is made up of five persons from each of the state's five congressional districts. The members represent a wide variety of occupations and expertise. They will assist the Attorney General in educating consumers and proposing programs and legislation that will best serve Kansas consumers.

Complaints Received	Percent of Total
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CATEGORIES OF NEW COMPLAINTS

CASES RECEIVED	5,406
CASES CLOSED	4,193
TOTAL ANNUAL SAVINGS	\$14,188,775

	Complaints Received	Percent of Total
Miscellaneous	213	3.94
Advertising	109	2.01
Ad Brokers	37	.68
Appliances	35	.65
Automobiles	788	14.58
Boats, Boating Equipment, Repairs, etc.	15	.28
Book, Record and Tape Clubs	36	.67
Business Opportunity Services	233	4.31
Cable Television	4	.07
Clothing	44	.82
Cemeteries	25	.46
Collectibles/Antiques	7	.13
Collection Practices	89	1.64
Computers	27	.50
Contests	115	2.13
Credit Reporting Agencies	2	.04

	Complaints Received	Percent of Total
Credit Code	168	3.11
Discount Buying Clubs	24	.44
Door-to-Door Sales	25	.46
Education	94	1.74
Encyclopedias	6	.11
Employment Services	14	.26
Energy Savings Devices	9	.17
Failure to Furnish Merchandise (Other Than Mail Order)	6	.11
Farm Implements/Equipment	29	.54
Fire, Heat & Smoke Alarms	1	.02
Floor Coverings	48	.89
Food Products	4	.07
Fund Raising (Charities, etc)	37	.68
Franchise Sales	8	.15
Funeral Homes	2	.04
Furniture	68	1.26
Gasoline Content	1	.02
Government Agencies	8	.15
Health Services (Doctors, Dentists, Hospitals, etc.)	22	.41
Health Spas and Weight Salons	41	.76
Hearing Aids	7	.13
Heating and Air Conditioning	31	.57



	Complaints Received	Percent of Total
Home Improvements	189	3.49
Home Construction	12	.22
Inquiries	1	.02
Insurance	2	.04
Invoice and Billing Schemes (Noncredit Code)	9	.17
Interest Rates and Lending Companies (Other Than Credit Code)	9	.17
Jewelry	14	.26
Land Sales (Subdivided Out of State)	46	.85
Land Sales (Subdivided Kansas)	142	2.63
Land Resale Companies	4	.07
Landlord/Tenant	15	.28
Loan Finders	22	.41
Lotteries	43	.80
Magazines	237	4.38
Mail Order Companies	1338	24.74
Mobile Homes and Campers (Sales/Service)	37	.08
Mobile Home Parks	1	.02
Motorcycles and Bicycles	10	.18
Moving and Storage	20	.37
Multi-level and Pyramid Distributorship Companies	9	.17
Musical Instruments, Lessons, etc.	11	.20
Nurseries, Gardening Equipment, etc.	13	.24

	Complaints Received	Percent of Total
Office Equipment and Supplies	6	.11
Pest Control	12	.22
Pets/Animals	13	.24
Photo Equipment and Services	19	.35
Photo Studios and Companies	49	.91
Rebates	39	.72
Real Estate (Houses)	12	.22
Real Estate (Other Than Houses)	28	.52
Satellite Dishes	13	.24
Securities and Investments		
(Other Than Stocks and Bonds)	11	.20
Services (General)	133	2.46
Services (Professional)	6	.11
Sewing Machines	4	.07
Sporting Goods	10	.18
Steel Buildings	5	.09
Stereos and Record Players	33	.61
Stocks and Bonds	1	.02
Sundries	1	.02
Televisions and Radios	39	.72
Timeshare Sales	53	.98
Toys	7	.13
Travel Agencies	113	2.09



	Complaints Received	Percent of Total
Travel and Transportation	55	1.02
Utilities	20	.37
Vending Machines	1	.02
Warranty Problems	42	.78
Water Softeners, Conditions, Purifiers, etc.	43	.80
Work-at-Home Schemes	<u>22</u>	<u>.41</u>
TOTAL	5,406	100.0%

DISPOSITION OF CLOSED COMPLAINTS

	Complaints Closed	Percent of Total
Inquiry or Information Only	213	5.08
Referred to Private Attorney	120	2.86
Referred to County/District Attorney	22	.52
Referred to Other Attorney General	289	6.89
Referred to Other Kansas Agency	25	.60
Referred to Small Claims Court	196	4.67
Referred to Federal Agency (FTC, Post Office, etc.)	66	1.57
Money Refunded/Contract Cancelled	1,281	30.55
Merchandise Delivered	281	6.70
Repaired/Replaced	159	3.79
Mediation Only -- No Savings	258	6.15
No Reply From Complainant	391	9.33
Unable to Locate Respondent	69	1.65
Practice Discontinued	34	.81
Respondent Out of Business	99	2.36
No Basis	62	1.48
No Jurisdiction	126	3.01
Insufficient Evidence	33	.79
Withdraw	136	3.24

	Complaints Closed	Percent of Total
Unable to Satisfy Complainant--Further		
Action Not Warranted	36	.86
Voluntary Compliance Agreement	2	.05
Other	241	5.75
Lawsuit Complaint Files		
Merchandise Delivered	2	.05
Money Refunded/Contract Concluded	5	.12
Practice Discontinued	2	.05
Respondent Enjoined	44	1.05
Other	<u>1</u>	<u>.02</u>
TOTAL CASES CLOSED	4,193	100%

SUMMARY OF 1988 LAWSUITS AND SETTLEMENT AGREEMENTS

STATE, ex rel., v. BYRON WRIGHT  
d/b/a AGRICULTURAL STEEL BUILDINGS OF AMERICA  
and EAGLE STEEL STRUCTURES

The defendant was selling steel building dealerships to Kansas consumers. The suit filed in January, 1985 alleges the defendant made misrepresentations of material facts to Kansas consumers who purchased the dealerships, including the price competitiveness of steel building products, the profit potential, and failed to provide proper dealership support services as promised.

This case had been continued on the court's docket for settlement negotiations with the defendant. The defendant was recently convicted on federal charges and is in prison. Settlement negotiations were unsuccessful because of the issue of restitution to Kansas consumers. Trial was scheduled for December, 1988. It was continued because defendant was in a federal prison in California and could not be brought to Kansas. Trial is now scheduled for June, 1989.

IN RE NORTHWEST FINANCIAL EXPRESS, INC.;  
NWFX, INC., AND GOLD FINANCIAL EXPRESS

NWFX, Inc. through contracts with 7-11 convenience stores and Derby service stations in Kansas, sold money orders to Kansas consumers. When NWFX filed for bankruptcy in August, 1986, several thousand Kansans were left holding worthless money orders. The Attorney General promptly demanded that the owners of 7-11 stores and Derby stations give refunds to Kansas purchasers of the money orders.

7-11 and Derby subsequently entered into an agreement with the Attorney General and have paid refunds to Kansans. The Kansas Bank Department held a \$200,000 surety bond issued by NWFX, Inc. The Attorney General participated in the bankruptcy proceedings in order to deposit that surety bond into the bankruptcy for the benefit of Kansas consumers. That bond should allow for Kansas consumers to be repaid for their worthless money orders.

The bankruptcy trustee has stated all Kansas consumers involved will receive full refunds. Those who went through 7-11 have received theirs and we are verifying that those who went through Derby have received their refunds.

STATE, ex rel., v. DENNY ARMSTRONG, ED PARKER  
d/b/a WORLDWIDE AUTO BROKERS

This lawsuit was filed in Johnson County, Kansas in 1987. The suit alleges the defendants advertised and sold an auto broker training service. Alleged misrepresentations are that the defendants failed to disclose the requirement of a license and the requirement of an office outside the home for the license. The case is still pending.

STATE, ex rel., v. PLATT COLLEGE,  
SUBSIDIARY OF C.E.C., INC.

The Attorney General entered into a consent judgment with Platt College in Olathe in November, 1987. This consent judgment was in cooperation with the Johnson County District Attorney's Office. The consent judgment alleged that misrepresentations were made by Platt about transferability of college credit; that Platt College sales personnel representatives were "counselors" when in fact they were salesmen; representations that Platt's placement department placed graduates at a rate of 97% when in fact the majority of graduates were not successfully placed through the assistance of the placement department of Platt; representations that prospective students must qualify through testing, when in fact Platt College accepted students regardless of their educational abilities; representations that Platt College offered training providing the student with specific training to enable them to obtain a high status of employment, when in fact the school did not provide adequate teaching and did not provide adequate material to instruct students; and Platt College falsely represented salary expectations to prospective students.

The defendant, without admitting liability to any of the allegations, entered into the consent judgment. The defendant agreed to pay partial restitution to students who were named in the lawsuit and who had filed complaints with the Attorney General's Office and with Johnson County District Attorney's Office. The defendant paid \$5,000 in civil penalties to the State of Kansas. Defendant is currently paying the partial restitution to consumers.

STATE, ex rel., v. NORDEN LABORATORIES, INC.

The defendant entered into a consent judgment with the Attorney General in November, 1987 which was filed in Shawnee County. The consent judgment alleged that the defendant marketed a rabies vaccine with a label which violated the Kansas Consumer Protection Act. Without admitting liability, the defendant did agree to the consent judgment. The suit requires the defendant to pay Kansas veterinarians \$5 per animal in cash or credit on account (as requested by the veterinarian) for revaccinating intramuscularly every dog and cat which was vaccinated subcutaneously with the defendant's rabies vaccines. Defendant has paid the consumers.

STATE, ex rel., v. RICK, INC.  
d/b/a RICK'S ANTIQUE AUTO PARTS, INC.

This consent judgment was entered into in December, 1987 and filed in Wyandotte County. The consent judgment alleges the defendant failed to deliver parts within a reasonable time; failed to refund the consumers' advance payments when parts were unavailable or undelivered within the time promised; and delivered automobile parts which were not of the quality specified in the advertising. Without admitting liability, the defendant voluntarily entered into the consent judgment. The defendant agreed to pay a \$2,000 civil penalty to the State of Kansas. The defendant also agreed to make restitution to consumers who had outstanding complaints with the Attorney General at the time of the consent judgment. The defendant also agreed to follow certain guidelines set out in the consent judgment in handling all future consumer orders.

Defendant has moved his business to Beloit, Kansas. We are still getting complaints. Defendant is working with this office to resolve complaints and is cooperative in refunding monies.

IN RE NUMART, INC.

Numart, Inc. filed for Chapter 11 reorganization in bankruptcy in 1987. The Attorney General intervened in the bankruptcy to protect a judgment granted in Sedgwick County in 1987 which ordered restitution for named consumers. Numart paid \$1,000 in investigative fees to the Attorney General's Office before filing the bankruptcy. The Attorney General filed a claim to protect that judgment in the bankruptcy.

The bankruptcy plan has been submitted, still awaiting final disposition in Bankruptcy Court.

STATE, ex rel., v. CHRISTOPHER OWINGS  
d/b/a CHRISTOPHER'S WHOLESALE JEWELERS

Defendant advertised as a "wholesale jeweler". However, he did not sell to the public at wholesale. Defendant entered into a consent judgment filed in Shawnee County. Defendant agreed not to advertise as a wholesale jeweler.

STATE, ex rel., v. GRANIER ENTERPRISES, INC.  
d/b/a GOLD & SILVER JEWELERS

Defendant advertised as "wholesale jeweler", but did not sell to the public at wholesale. Defendant had sign posted stating consumers were buying only the best giving unrealistic guarantees.



Defendant entered into a consent judgment filed in Shawnee County. Defendant agreed to remove the sign; to stop advertising as a wholesale jeweler and to make refunds to consumers.

STATE, ex rel., v. FREEDOM FINANCIAL CORPORATION (I)

Management/owners of resort areas in Missouri. Defendant sent solicitations to Kansas residents which appeared to be official government documents. Defendant sent other notifications which appeared to be notifications of prizes the consumer was "guaranteed" to win.

Defendant entered into a consent judgment filed in Coffey County. Defendant agreed to stop sending the deceptive solicitations, and made a \$2,000 donation to the Kansas School for the Deaf.

STATE, ex rel., v. FREEDOM FINANCIAL CORPORATION (II)

Defendant altered the solicitations and again sent them to Kansas residents. Solicitations still appeared to be official government documents and notifications of "guaranteed prizes." In order for consumers to claim their "prize", they had to pay a "redemption fee" that was to cover shipping and handling. However, this "redemption fee" consistently exceeded the cost of the item as well as the shipping and handling.

Defendant entered into another consent judgment with such stricter guidelines for the mailings. In any future mailings, defendant's solicitations are not to resemble or state that they are official government documents or are from official government agencies. Defendant may only charge the consumer the actual cost of shipping and handling for prizes won.

Defendant donated \$5,000 each to the Wichita and Topeka Rescue Missions and \$2,500 each to the Reno County and Montgomery County food banks for \$15,000 in charitable donations.

STATE, ex rel., IMPACT MANAGEMENT  
d/b/a TREASURE LAKE VACATION

Management/owner of resort areas sent solicitations to Kansas residents. Solicitations resembled government document and contained misleading statements as to "guaranteed" prizes and odds of winning. Defendant made false oral statements in sales presentations that the Attorney General had approved the solicitations.

Defendant entered into a consent judgment in Shawnee County wherein defendant agreed to stop using the deceptive solicitations and would cease stating the Attorney General's approval of solicitations. Defendant paid \$1,250 to the State of Kansas as a civil penalty.

STATE, ex rel., v. YVONNE WINGARD  
d/b/a ELECTROLOGY CLINIC

Defendant had no Kansas certificate or license to practice as an electrologist, cosmetologist or cosmetology technician. Defendant advertised she was a "certified electrologist."

Defendant entered into a consent judgment in Thomas County wherein she agreed to stop advertising herself as a "certified electrologist."

STATE, ex rel., v. MONTGOMERY WARD & COMPANY

Defendant had a particular swivel rocker chair in stock that was advertised to Kansas consumers as being "on sale." Their ads led consumers to believe the chairs were being offered at a price less than the regular selling price by stating \$299 a pair, regularly \$459.98. The problem was that the rocker was offered at "sale" price more than it was offered at "regular" price. Therefore the rocker's "sale" price was not a reduced price, but a regularly offered price.

Defendant entered into a consent judgment filed in Shawnee County wherein defendant agreed to change its advertising practices. Defendant also paid \$5,000 to the State of Kansas as a civil penalty.

STATE, ex rel., v. DR. ROBIN HOOD

Defendant is a chiropractor who used improper collection practices. The defendant sent form notices to patients informing them their cases had been turned over to an attorney and a collection company for collection when in fact defendant had not turned the cases over at all. The attorney and the collection company had no knowledge the patients were told of the referrals for collection. Defendant entered into a consent judgment wherein he agreed to stop using the forms. The matter was also referred to the Federal Trade Commission for possible action against the company selling the forms across the country.

STATE, ex rel., v. ROBERT E. HOGREFE  
d/b/a CONTINENTAL FINANCIAL SERVICES

Defendant offered a "service" to consumers in which he would clean up their credit record. Defendant charged several hundred dollars for services that had little, if any, value and questions arose as to whether the "services" were even performed.

Defendant entered into a consent judgment in Shawnee County wherein he agreed to cease operations. The defendant agreed to pay \$2,500 to the State of Kansas as a civil penalty. Action is being taken to collect the civil penalty.

STATE, ex rel., v. ROBERT E. HOGREFE  
d/b/a EAGLE FUNDING, INC. and CREDIT MENDERS, INC.

Defendant promised to find financing for home mortgage and personal loans for consumers with poor credit. Defendant had offices in Topeka and Garden City. Consumers paid loan origination or appraisal fees up front. These ranged from \$200 to \$5,000. Case is pending.

STATE, ex rel., v. CONTINENTAL PUBLISHING, INC.

Defendant is a Texas corporation that publishes a "yellow-pages" service. Defendant sent "bills" disguised as solicitations around the country. Kansas consumers and small businessmen received their "solicitations". Consumers paid the "yellow pages" bill thinking they were connected to Southwestern Bell Yellow Pages. The investigation turned up several similar companies with different names all using the same addresses and phone numbers for billing purposes. Suit was dismissed without prejudice so we can determine all companies involved. A new suit will be filed.

STATE, ex rel., v. CONTE & CO.

Defendant is a Georgia corporation that mailed postcard to Kansas consumers (and around the country) telling them they had won a "prize". All they had to do to claim their prize was send in \$17. For their \$17, consumers receive gift certificates for merchandise of questionable value. A lawsuit was an issue during the investigation phase. Conte sued the State and the Attorney General in federal court. Our suit was filed in Shawnee County District Court. Case is pending.

STATE, ex rel., v. COUNTRY PARKS, et al.

Defendants operate three lake resorts in Kansas (as well as in other states). Defendants sent solicitations to Kansas consumers guaranteeing them a "prize" if they come to the resort and listen to the sales presentation for membership in the resort.

Defendants offered prizes such as a motorcycle (actually a motorized bicycle) which had to be redeemed by consumers for \$198. Many of these "prizes" were never delivered nor were refunds given of the redemption fee.

During the membership sales presentations, Defendants consistently represented to consumers that the resorts would have heated indoor pools, stocked fishing ponds and other amenities not available at the time the presentation was made. Defendants failed to follow through in providing these amenities.

A proposed class action suit was filed by a group of members from Harvey County. That a suit has not been certified as a class action. A receiver was appointed to manage all three of the packs in Kansas. The State filed its suit in Shawnee County and entered into negotiations with the receiver. The Harvey County plaintiff filed a Quo Warranto proceeding in the Kansas Supreme Court challenging the Attorney General's authority and stating that the Shawnee County and Harvey County actions could not co-exist. The Quo Warranto was recently denied. The case is pending.

STATE, ex rel., v. SUN SPRINGS

Defendant operates a resort lake near Sabetha, Kansas. Defendant sent solicitations to Kansas consumers guaranteeing them a "gift" of 100 rolls of Kodak film if they came to the resort to listen to sales presentations. Defendant gave those who visited a coupon book for free film if they had their film developed by a certain company.

Defendant entered into a consent judgment wherein they agreed to provide consumers the film and to not use the word "gift" or any other language implying "free" to the consumers if the consumer had to pay.

Defendant paid a \$2,000 civil penalty.

STATE, ex rel., v. COMMON TITLE BOND & TRUST,  
ROGER N. ELVICK, CADEN ELVICK AND BOB SAYLOR

On July 6, 1987 a lawsuit was filed in the Shawnee County District Court. It alleged that defendants had committed deceptive and unconscionable acts and practices in connection with the issuance

of sight drafts and bills of exchange with Kansas consumers, specifically farmers, in exchange for promissory notes and deeds of trust issued from the consumers to Common Title. In addition, the defendants mislead consumers into believing that the bills of exchange and sight drafts would be honored by the federal reserve system and they are not. The petition sought injunctive relief, restitution, withdrawal of all deeds of trust filed in various counties, and civil penalties. On August 24, 1987 a consent judgment was entered between the State and Bob Saylor in which he agreed to disassociate himself with Common Title Bond & Trust or any similar program in the state of Kansas.

Default judgment was granted on December 9, 1988, against Common Title Bond & Trust and Roger Elvick. The judgment provided for damages to consumers, \$10,000 civil penalties.

STATE, ex rel., v. THE BENCHMARK CORPORATION  
d/b/a HALLMARK STUDIOS, INC.

On November 18, 1987 a petition was filed in the District Court of Shawnee County, Kansas. The petition alleged that the defendant, a Tennessee corporation, had violated the Kansas Consumer Protection Act and had been involved in deceptive and unconscionable acts and practices. The defendant solicits business by placing contest boxes in retail establishments and consumers enter the contest by submitting their name. Defendant sends notices to all the contestants advising them that they had won a grand prize which is a free 16 x 20 portrait for a small sitting charge.

A journal entry of consent judgment was filed September 28, 1988, and provided that defendant pay \$500 in civil penalties.

STATE, ex rel., v. ROBERT FATTAHI  
d/b/a "HIT THE JACKPOT"

On December 23, 1987 a petition for approval of journal entry of consent judgment was filed in the Shawnee County District Court. The consent judgment enjoined defendant from engaging in acts and practices alleged to be deceptive. Defendant sells certificate books that provide for free products and services to Kansas consumers by Topeka area merchants. Additionally, a vacation for two is offered to various locations, however, the consumer must purchase one round trip ticket at the all-year coach airfare rate from Star Promotions of Tarzana, California.



STATE, ex rel., v. HIRSCH ENTERPRISES, INC.  
d/b/a SHERRI BRIDALS and JOHN A. HIRSCH

The defendant's bridal shop was unable to deliver products to consumers who had put deposits on bridal dresses and accessories. A consent judgment was entered into which provided for assistance from the defendants for obtaining the merchandise for the brides from manufacturers as well as returning any deposits. Defendant was forced into Chapter 7 bankruptcy by other creditors and currently assets are being counted for distribution. It is likely that consumers will receive some, if not all, of their money back.

STATE, ex rel., v. LEON SAJA  
d/b/a NOEL ENTERPRISES

Defendant sold advertising space in the Kansas Peace Officer's Journal. In the course of said solicitations for advertising space the telemarketers made misrepresentations to those solicited. A consent judgment was entered into and the defendant donated \$500 to the Kansas Peace Officer's Association and refunded money to consumers who were actually damaged by said misrepresentations.

STATE, ex rel., v. WILLIAM ROWELL COLEMAN, et al.

The defendant offered as part of a promotion scheme a free power sports boat provided the consumer paid \$89 in shipping, processing and handling. Said sport boat was in fact an inflatable raft said value to be approximately \$89. Petition was filed in the Shawnee County District Court on January 26, 1988. Defendant was served February 18, 1988 and failed to answer or appear. Default judgment was given on the 15th of July, 1988 and provided for actual damages to consumers in the amount of \$2,597.20. Additionally the Court ordered \$48,000 in civil penalties. The State has been unable to find property to satisfy this judgment.

STATE, ex rel., v. BERRY FARM SUPPLY, INC.,  
MID AMERICA FARM SUPPLY, INC., et al.

A petition was filed in Shawnee County District Court on October 19, 1988. The defendants sell to primarily farmers memberships/dealerships to a wholesale type buying service. Defendants represented to member dealers that they could realize a savings of 20 - 60% on merchandise ordered through them over that available in their own local retail markets. Additionally, defendants accepted prepayment on merchandise ordered and represented to consumers that said merchandise had been ordered from the manufacturer when in fact the merchandise was never ordered. The State requested they cease



operation in the State of Kansas as well as provide actual damages to consumers for said misrepresentations. Currently Berry Farm Supply, Inc. is in bankruptcy and parties are responding. The case is currently in discovery.

STATE, ex rel., v. ATLANTIC SOUND, INC., et al.

Defendants hired independent agents to travel in corporate vans flagging consumers off the road to purchase what was represented to them as overstocked speakers. Additionally defendants represented to consumers that an identical pair of speakers had been delivered to a local establishment for a price approximately three times what was offered to the consumer. In fact, no speakers had been delivered to the local establishment and the speakers sold to the consumers were not overstocked. Defendant corporation was served by mail on August 30, 1988, and failed to respond so additional service was made through the Secretary of State's Office as they were not registered to do business in Kansas on December 9, 1988. To date no response has been made by the defendants.

STATE, ex rel., v. MATNEY, et al.

This action was filed in November, 1980, and sought a variety of remedies, including actual damages and injunctive relief under the Kansas Consumer Protection Act. It was alleged the defendants, who were both the owners of six separate cemetery corporations and the corporations themselves, had failed to deliver burial markers upon need by the consumer. Further portions of the petition alleged the cemeteries were abandoned under state law, and permanent maintenance trust funds had not been maintained as required by law.

Following extensive discovery, a settlement agreement was reached as to a portion of the lawsuit in February, 1982. The permanent maintenance funds were restored in the form of trust accounts in a bank (for a total of \$206,000), and the owners agreed to sell their interests by January 1, 1983. Such a sale was made to an established Kansas City firm which already owned and operated other cemeteries, and which agreed, as part of the sale, to provide those markers which had been purchased previously on a pre-need basis.

Two other defendants were added to the lawsuit in 1982, Norman Anderson and Commemorative Services Corporation (CSC). The allegations against these defendants were that they had not put money into trust for the pre-need sale of burial merchandise, as required by statute. Several other cemeteries were included, as having been owned by the defendants Anderson and CSC, for a total of nine cemeteries.

The Court determined that the defendants were liable under the statutes the state alleged they had violated, including the Consumer Protection Act. This summary judgment on the issue of liability was granted in June of 1987. The current issue before the Court is the measure of damages. The defendants maintain that the only damages the state would be entitled to are for those consumers that have actually been damaged by their actions. It is the state's position that defendants should be liable for all monies that should have been in trust at the time they sold the cemeteries, plus interest, penalties and investigative fees. The Court's decision on this issue will determine the future amount of discovery as well as damages.

STATE, ex rel., v. BANKCARD TRAVEL CLUB

This company mailed solicitations to consumers which offered a 60-day trial membership in the club, offering a 35 mm camera as a free gift for joining. Initially, the solicitations were not dated, the confirmation of acceptance into the club was not dated, and consequently, when the consumer attempted to cancel their 60-day free membership, they were told that their trial membership period had expired. Consumers' credit cards were billed for the membership fees of \$49.20. A consent judgment was entered into with the company them to date their correspondence, allow consumers the full 60 days requiring for the trial period, and allow consumers to cancel when requested within the time period. Consumers have received refunds of nearly \$1,500. In addition, defendant donated \$1,500 to "Victory in the Valley." Complaints have fallen off drastically, and defendants have resolved complaints as they come in.

STATE, ex rel., v. SENIOR CITIZENS MARKETING

Senior Citizens Marketing is a Texas corporation which sent solicitations to elderly consumers. These solicitations were official looking, with a return address of Washington, D.C., giving the appearance that it related to their social security or medicare benefits. In actuality, the company asked the consumer to respond in order to receive more information and when they did, an insurance salesman would call on the consumer. The effect of this business was to unnecessarily worry senior citizens about their social security and/or medicare benefits, and additionally subject them to an unprepared for insurance sales pitch.

The defendant agreed in a consent judgment to disclose that an insurance salesman would call and avoid the interference of official or federal affiliations. The defendant has paid \$3,000 in civil penalties and donated \$1,500 to the Kansas Food Bank.

STATE, ex rel., v. EAGLE OIL & GAS

This suit involves an oil and gas leasing company, which was apparently the largest one in the business. Default judgment was taken for nearly three-quarters of a million dollars, with a garnishment made on annuities deposited in a California insurance company. Before payment was made, a federal court in south Florida enjoined the state from further proceedings, based on the fact that another, more recent lawsuit there involved the Federal Trade Commission and the defendant company. The state contested the exercise of the court's jurisdiction over the state suit, which is in no way connected with the Florida proceeding. The federal court ruled it properly enjoined the State of Kansas from further proceedings, pending the conclusion of the FTC's action. At the end of 1984, the FTC suit was nearing time for trial, following the conclusion of other federal proceedings of a criminal nature (mail fraud, etc.) against some of the same defendants. The Florida court has denied the State's motion for relief from the injunction. The State was made a defendant in a class action in ancillary suits for declaratory judgment of the State's claim against Eagle Oil & Gas. The class action is currently in receivership and consumers are being given the option of opting out of the class action. The money is still being held pending the outcome of the class action.

STATE, ex rel., v. RICHARD LANKFORD, et al.

Defendant is a resident of Indiana who sells horses to consumers. A Kansas consumer purchased a horse from defendant and discovered after the purchase that the horse would not perform in a safe manner. It was eventually learned that a previous consumer had purchased the horse and experienced difficulty in controlling the horse.

A lawsuit was filed on October 5, 1984, alleging defendant failed to state material facts with regard to the horse sold to the Kansas consumer. In addition, the lawsuit alleged material misstatements were made to the consumer. A settlement was reached which later collapsed when the horse was found to be ill. The Shawnee County District Court set aside the settlement. A new settlement could not be reached. The Court dismissed the case when the consumer refused to cooperate with the Attorney General, maintain contact with the Attorney General, or obey a court order.

STATE, ex rel., v. THE HERTZ CORPORATION

Kansas joined with New York in leading negotiations in a nationwide settlement with The Hertz Corporation over collision damage repair overcharges. From 1985 through 1986, The Hertz Corporation charged its customers more than its actual cost for repairs done to rented cars which sustained damage while the consumer was renting them. Hertz contracts provided that the company could charge full

retail for repairs while receiving large discounts from body shops. A group of six states led by Kansas and New York insisted that this practice by Hertz was unconscionable and demanded that the overcharges be refunded nationwide. A series of negotiations led to a consent judgment entered into between Hertz and the six states which was later approved by 35 additional states which provides for the refund nationwide of \$2.3 million to consumers.

Hertz is currently in the process of identifying consumers who are entitled to a refund. Hertz is required to file periodic reports with the Attorneys General as to its progress in the refund process. Currently, it is expected that refunds will begin to be processed in early 1989.

Hertz has discontinued the practice of charging more than its actual costs for repairs to damaged rental cars. It now passes along any discounts it receives from body shops directly to the consumers when they are billed for damage repairs.

#### STATE, ex rel., v. CONTINENTAL AIRLINES "ONEPASS"

Continental and Eastern Airlines have a joint frequent flyer program called "OnePass". This program awards mileage to members in exchange for their continued patronage. In advertising and solicitation materials sent to consumers nationwide to induce participation in "OnePass", Continental Airlines promised that it would award a minimum 1,000 miles per flight segment on every flight taken on Continental. However, with very little or no notice to consumers, Continental reduced the number of miles it was awarding to 750 miles per flight segment. At the same time it continued to advertise that frequent flyers would receive a minimum of 1,000 miles.

Kansas led a team of negotiators from Attorneys General Offices nationwide in discussions with Continental Airlines to correct this problem.

A settlement was reach between Continental and the Kansas Attorney General's Office whereby more than one billion miles would be credited to frequent flyer accounts nationwide. These miles constituted the deficiency between the 750 mile minimum being awarded by Continental and the 1,000 mile minimum being promised in promotional and advertising materials. The value of these miles equals \$13.5 million in airline tickets nationwide.

In addition Continental will provide better notice to frequent flyers on program changes which would adversely affect the frequent flyer mileage accumulated by consumers. All advertising materials were changed to reflect the correct number of miles awarded on Continental. Continental pulled its frequent flyer member applications with the erroneous promise of 1,000 miles from all its airport counters and planes nationwide. Its frequent flyer application has been reprinted with the corrected number of miles.



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\* Served a portion of 1988. No longer with Consumer Protection.

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