

ASSURANCE OF VOLUNTARY COMPLIANCE

Dana Nessel, Attorney General of the State of Michigan, on behalf of the State of Michigan, and Direct Hardwood Flooring and Supplies, LLC d/b/a Direct Home Supplies and Michael Solomich (collectively "Direct Home Supplies") hereby execute and agree to be bound by this Assurance of Voluntary Compliance ("AVC").

This AVC concerns resolution of alleged violations of the Michigan Consumer Protection Act, 1976 PA 331, as amended, MCL 445.901 *et seq.* ("MCPA"). Direct Home Supplies agrees not to contest any terms of this AVC.

The parties agree that the entry into this AVC by Direct Home Supplies is not an admission of liability and not an agreement with any legal or factual assertion dealt with in this Agreement.

THEREFORE, the parties agree as follows:

I. Jurisdiction

1.1 The Department of Attorney General ("the Department") has jurisdiction over the subject matter of this AVC pursuant to MCL 445.905 and MCL 445.910. Direct Home Supplies waives all objections and defenses that it may have as to the jurisdiction of the Department over the matters covered by this AVC.

II. Parties Bound

2.1 This AVC binds Direct Home Supplies, whether acting through associates, principals, officers, directors, employees, representatives, successors, or assigns, or through any subsidiary, corporation, assumed name, or business entity. Direct Home Supplies is responsible for compliance with the terms of this AVC, and must ensure that

all employees, subcontractors, agents, and representatives comply with the terms of this AVC.

III. Definitions

3.1 "AVC" means this Assurance of Voluntary Compliance.

3.2 "BBB" means the Better Business Bureau.

3.3 "COD" means the Michigan Department of Attorney General, Corporate Oversight Division.

3.4 "Direct Home Supplies" refers to Direct Hardwood Flooring and Supplies d/b/a Direct Home Supplies, autosupplies.com, and Michael Solomich, individually, whether doing business under any assumed name or acting through their principals, employees, contractors, or any other business entity.

3.5 "Parties" means the COD and Direct Home Supplies, collectively.

3.6 All other terms shall have the meaning specifically defined in the MCPA.

IV. COD's informal investigation of Direct Home Supplies

4.1 Consumers who believe they have been treated unfairly in the purchase of goods or services may file complaints with the Attorney General either online or by writing to her. During the COVID-19 public health emergency, the Department received a consumer complaint alleging that Direct Home Supplies offered to sell R-95 face masks for \$108 each. The offer was made from autosupplies.com, and directed the consumer to contact mike@directhomesupplies.com.

4.2 The Department also has one complaint against Direct Home Supplies from 2017, which the Department sent to Direct Home Supplies with a request for response. Direct Home Supplies did not provide a response. The COD also reached

out to the Better Business Bureau ("BBB"), which supplied 15 complaints against Direct Home Supplies from consumers throughout the United States and Canada during the approximate 30 month period between July 16, 2017 to December 12, 2019.

4.3 These complaints have common themes. There are patterns of complaints where consumers either did not receive the items purchased or received something different than what they had paid for. This occurred with a broad range of items including batteries, yarn, t-shirts, and shorts. In most instances, complaining consumers found Direct Home Supplies unresponsive to efforts to get refunds or replacements.

4.4 In entering this AVC, the mutual objective of the parties is to resolve, without litigation, the COD's potential claims under the MCPA for preliminary and permanent injunctive relief, as well as the potential claims for payment of damages and reimbursement of the Department's costs and expenses related to the investigation. The entry into this AVC by Direct Home Supplies is not an admission of liability with respect to any issue addressed in this Agreement nor is it an admission of any factual allegations or legal conclusions stated or implied herein or in the Attorney General's Notice of Intended Action ("NIA"). Direct Home Supplies is offering this AVC to avoid the time and expense of litigating this matter.

V. Implementation of Compliance Measures

5.1 To the extent that Direct Home Supplies may have engaged in any unfair or deceptive business practices in the State of Michigan, Direct Home Supplies shall immediately cease and desist such practices.

5.2 Direct Home Supplies represents that it did not sell any face masks at the \$108 price and that the SKU number for the offer actually provided for 20 such masks for the \$108 price. The Attorney General does not possess any evidence that: (1) any masks were sold at that price; (2) or any evidence that any masks were sold at all. If any consumers come forward after the Effective Date of this agreement with documentation of the purchase of a face mask from Direct Home Supplies at that price, Direct Home Supplies shall pay that consumer an amount equal to three times the purchase price for each mask.

5.3 In any situation where a consumer has paid Direct Home Supplies for a product that is not delivered to the consumer within a reasonable time, Direct Home Supplies will provide a prompt refund. In any situation where a consumer receives an item different than that which the consumer ordered, Direct Home Supplies shall ensure the consumer gets the ordered product or a prompt refund. Direct Home Supplies may not escape application of this section by disclaiming responsibility for mistakes in its advertising relating to the product. Direct Home Supplies will not sell e-books or its own printings of public domain materials under marketing in any way suggesting the consumer will receive a hard copy of a quality the consumer would reasonably expect from a book publisher.

5.4 During the informal investigation, Direct Home Supplies explained to the COD that from 2017-2018 it was advertising and selling approximately 3.9 million products. Based on the consumer complaints from that time and more recently, the COD is concerned that Direct Home Supplies was selling more products than it could reasonably handle. To address concerns the COD has raised about its operation, and

to promote improved customer service and monitoring, Direct Home Supplies agrees to implement the following assurances:

- a. For a period of two years beginning on the effective date of this AVC, Direct Home Supplies will limit the number of products it sells, by Parent SKU number, to no more than 250,000.
- b. Direct Home Supplies will change the verbiage on its website to more clearly communicate with consumers the terms, conditions, and applicable law governing transactions with the company. Direct Home Supplies will not represent on its website or anywhere else that it sells items at a discount, nor will it suggest to consumers that goods may be purchased more affordably from Direct Home Supplies than from other sellers.
- c. Direct Home Supplies will establish and maintain a relationship with the BBB in order to keep apprised of consumer complaints and work to resolve them. Direct Home Supplies will respond to the BBB regarding each consumer complaint it receives through that organization. Similarly, Direct Home Supplies will cooperate with the Attorney General's consumer complaint mediation process by responding to all future complaints forwarded to it by COD. Where appropriate under the specific facts of the situation, Direct Home Supplies will provide a refund or other redress to consumers filing such complaints.
- d. Direct Home Supplies will monitor and maintain consumer complaints and records demonstrating their resolution for a period of two years beginning on the effective date of this AVC. At its discretion, COD may request some, or all, of these records to monitor Direct Home Supplies'

compliance with this agreement. Direct Home Supplies will provide all requested records within ten days of any such request.

5.5 Direct Home Supplies understands that by accepting these assurances, the Attorney General and the COD are making no representation as to their adequacy in providing good customer service or compliance with the MCPA. In other words, if the Attorney General receives consumer complaints or other information in the future suggesting that one or more potential violations of the MCPA by Direct Home Supplies has occurred after the date of this AVC, or is violating the MCPA, Direct Home Supplies' implementation of the assurances referred to herein shall not deprive the COD from taking any appropriate action described in the MCPA. The COD warns Direct Home Supplies that, if there is evidence of any future MCPA violations occurring after the effective date of this assurance, the COD may seek judicial relief that includes, but is not limited to, an injunction permanently enjoining any future online sales operations.

VI. Financial Obligations

6.1 Direct Home Supplies agrees to pay a total of \$17,400 to resolve the dispute between the Parties. The payments from Direct Home Supplies will fall into two categories:

- a. Direct Home Supplies will make payments of \$150 each to the fifteen BBB complainants known to the Attorney General at the time the NIA was issued, and to the 2017 complainant to the Attorney General, for a total of \$2,400. Direct Home Supplies will make these payments by checks mailed to the complainants within twenty-one days of receiving the names and address from COD. If COD is unable to provide an appropriate

mailing address for any of these complainants within sixty days of the Effective Date, Direct Home Supplies shall be relieved of the payment obligation for each such consumer for which COD cannot provide an address.

- b. Direct Home Supplies will pay \$15,000 to the Attorney General's Office by three (3) equal payments of \$5,000. Payments shall be due as follows: \$5,000 on signing of this AVC; \$5,000 on or before August 15, 2020; and \$5,000 on or before September 15, 2020. The COD will use these payment to compensate consumers who submit substantiated complaints after the effective date of this AVC that arise from purchases made before the effective date. Direct Home Supplies may not formally challenge the amounts or appropriateness of consumer distributions but shall have the right to explain and express its opinion to the COD relative to the underlying complaint(s) and any such distribution, including the amount proposed. Further, the COD may adjust the amounts of these payments as additional consumer complaints are received, if any. Distributions will stop when the Attorney General Payments are exhausted, or pursuant to a schedule established by the Attorney General. If any of the \$15,000 remains at the conclusion of the schedule established by the Attorney General, the remaining money shall be retained by the Attorney General to compensate the taxpayers for the costs associated with the investigation and consumer distribution.

6.2 The COD shall give Direct Home Supplies advance written notice of its intent to make any consumer distribution. This notice, subject to the terms of Section

6.1(b), above, will be in the form of a letter that identifies consumers who have received distributions, their addresses, and the amount of the distribution.

6.3 All payments required by Section 6.1(b) shall be made by check payable to the "State of Michigan." The payments and any other information shall be sent to Darrin F. Fowler, Assistant Attorney General, Corporate Oversight Division, P.O. Box 30736, Lansing, MI 48909.

VII. Release

7.1 Upon the effective date of this AVC, the COD hereby releases and discharges Direct Home Supplies and any of its parent entities, affiliates, subsidiaries, predecessors, successor, or assigns, and each and all of its past or present officers, directors, associates, counselors, advisors, or agents, from any and all civil or administrative claims, demands, rights, actions, causes of action, and liabilities, of any kind or nature whatsoever, that are based directly or indirectly on the Attorney General's consumer protection investigation as identified in the aforementioned Notice of Intended Action, including the alleged acts, failures to act, omissions, misrepresentations, facts, events, transactions, statements, occurrences, or other subject matter which were or could have been set forth, alleged, complained of, or otherwise referred to in the Notice of Intended Action. Nothing herein shall be construed as a waiver or release of claims asserted or that may be asserted by individual consumers.

VIII. General Provisions

8.1 This AVC is binding upon, inures to the benefit of, and applies to the parties and their successors-in-interest. This AVC does not bind any Division of the

Michigan Department of the Attorney General other than the COD, or other agencies, boards, commissions, or offices of the State of Michigan.

8.2 This AVC does not affect, expand, or limit the rights of any private party to pursue any available remedy or remedies pursuant to applicable law, except that any common law right of set off would still be applicable. Further, this AVC does not create any private right or cause of action to any third party.

8.3 This AVC does not constitute an approval by the Attorney General of any of Direct Home Supplies' business practices and Direct Home Supplies must not make any representation to the contrary.

8.4 No change or modification of this AVC is valid unless in writing and signed by all parties.

8.5 Unless a temporary restraining order is sought, the COD will make reasonable efforts to provide written notice in the event that the COD believes Direct Home Supplies to be in noncompliance with any provision of this AVC, setting for the basis for such belief.

IX. Signatories

9.1 Each person signing this AVC acknowledges and represents that: (a) they have read this AVC in its entirety and fully understand all of its terms, conditions, ramifications, and consequences; (b) they unconditionally consent to the terms of this AVC; (c) they have consulted with or had ample opportunity to consult with legal counsel of his, her, or its choosing prior to executing this AVC; (d) they have freely and voluntarily signed this AVC; and (e) the consideration received by each party as described in this AVC is adequate.

9.2 Each undersigned individual represents and warrants that he or she is fully authorized by the party he or she represents to enter into this AVC and to legally bind such party to the terms and conditions of this AVC.

9.3 The parties may execute this AVC in counterparts, each of which is deemed an original and all of which constitute only one agreement.

9.4 The parties agree that facsimile or electronically transmitted signatures may be submitted in connection with this AVC and are binding to the same extent as an original signature.

X. Effective Date

10.1 The effective date of this AVC is the date upon which the COD representative signs this assurance.

Dated: July 13, 2020

By: 

Darrin F. Fowler (P53464)
Assistant Attorney General
Michigan Dep't of Attorney General
Corporate Oversight Division

Dated: July 10, 2020

By: 

Michael Solomich, Owner
Direct Home Supplies