

Complaint

120 F.T.C.

IN THE MATTER OF

## THE ESKIMO PIE CORPORATION

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF  
SECS. 5 AND 12 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3597. Complaint, Aug. 11, 1995--Decision, Aug. 11, 1995*

This consent order prohibits, among other things, a Virginia-based corporation from misrepresenting the existence or amount of calories or any other nutrient or ingredient in any frozen dessert product and from falsely claiming that any frozen dessert product has been approved, endorsed or recommended by any person, group or organization. In addition, the consent order requires a disclosure statement, should Eskimo Pie represent that any frozen dessert is a useful or appropriate part of a diabetic's diet.

*Appearances*For the Commission: *C. Steven Baker and Barbara DiGiulio.*For the respondent: *F. Clairborne Johnston, Jr., Mays & Valentine, Richmond, VA. and Stuart M. Pape and Daniel Krakov, Patton, Boggs & Blow, Washington, D.C.*

## COMPLAINT

The Federal Trade Commission, having reason to believe that The Eskimo Pie Corporation ("respondent"), a corporation, has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. Respondent The Eskimo Pie Corporation is a Delaware corporation, with its principal office or place of business at 901 Moorefield Park Drive, Richmond, Virginia.

PAR. 2. Respondent has advertised, labelled, offered for sale, sold, and distributed a number of different varieties of Eskimo Pie Sugar Freedom frozen dessert products to the public. Each of these products is a "food" within the meaning of Sections 12 and 15 of the Federal Trade Commission Act.

PAR. 3. The acts and practices of respondent alleged in this complaint have been in or affecting commerce as "commerce" is defined in Section 4 of the Federal Trade Commission Act.

PAR. 4. Respondent has disseminated or has caused to be disseminated advertisements for Eskimo Pie Sugar Freedom Products, including but not necessarily limited to the attached Exhibits 1 through 6. These advertisements contain the following statements:

A. SLIM DOWN FOR SUMMER

[Among the products depicted in this advertisement are boxes of Eskimo Pie Sugar Freedom products. The packages for these products feature the name Sugar Freedom and the NutraSweet name and logo.]

[The advertisement also depicts figures engaged in exercise activities, such as weight lifting, bicycling, and jogging, and a tape measure running through it.] (Exhibit 1).

B. NOW IS YOUR LAST CHANCE TO SLIM DOWN FOR SUMMER, AND THE FOLLOWING GREAT TASTING FOODS CAN HELP.

\* \* \*  
SATISFY YOUR SWEET TOOTH WITH SUGAR FREEDOM ESKIMO PIE NOVELTY TREATS. MADE WITH THE GREAT TASTE OF NUTRASWEET, REFRESHING SUGAR FREEDOM ESKIMO PIE COMES IN BARS, CONES, SANDWICHES AND NOW HALF GALLONS.

[Transcript of tape recording attached as Exhibit 2]

(Tape recording attached as Exhibit 3).

C. SWEET SAVINGS

Millions of you who are trying to eat smarter enjoy NutraSweet in things like sodas and gum and yogurts. Many of you stock your kitchens with frozen desserts and jams sweetened with NutraSweet. But what about trying the other products sweetened with the great taste of NutraSweet? You can start by clipping these valuable coupons here and save!

At NutraSweet we believe that you shouldn't have to compromise on the delicious things in life for any reason -- even calories.

\* \* \*

Sugar Freedom Eskimo Pie

[The coupon book in which this appeared contains a cents off coupon for Eskimo Pie Sugar Freedom products.]

(Exhibit 4).

D. [Advertisement depicts 1/2 gallon carton of Eskimo Pie Sugar Freedom, which features the following:]

Sugar Freedom

A Proud Sponsor of the

[ADA Triangle Logo] American Diabetes Association

[NutraSweet Swirl Logo] NutraSweet

(Exhibit 5).

E. [The first side of a coupon states, in part,:]

PROUD PARTNERS.

PURE PLEASURE.

[ADA triangle] AMERICAN DIABETES ASSOCIATION

ESKIMO PIE [logo in bold]

[The other side states, in part,:]

Now Eskimo Pie and the American Diabetes Association are partners in providing the pure pleasure of frozen novelties to everyone! Just look for the ADA logo proudly displayed on all Sugar Freedom Eskimo Pie bars, cones and sandwiches made with NutraSweet.

(Exhibit 6).

PAR. 5. Through the use of statements contained in the advertisements referred to in paragraph four, including but not necessarily limited to the advertisements attached as Exhibits 1 through 6, respondent represented, directly or by implication:

(a) That Eskimo Pie Sugar Freedom products are significantly reduced in calories compared with comparable foods.

(b) That Eskimo Pie Sugar Freedom products are low in calories.

PAR. 6. In truth and in fact:

(a) Most Eskimo Pie Sugar Freedom products are not significantly reduced in calories compared with comparable foods. Most are not significantly reduced in calories compared with comparable foods on an equivalent weight basis.

(b) Eskimo Pie Sugar Freedom products are not low in calories.

Therefore, the representation set forth in paragraph five was, and is, false and misleading.

PAR. 7. Through the use of statements contained in the advertisements referred to in paragraph four, including but not necessarily limited to the advertisements attached as Exhibits 5 and 6, respondent represented, directly or by implication, that the American Diabetes Association has approved or endorsed Eskimo Pie Sugar Freedom products.

PAR. 8. In truth and in fact, the American Diabetes Association has not approved or endorsed Eskimo Pie Sugar Freedom products. Therefore, the representation set forth in paragraph seven was, and is, false and misleading.

PAR. 9. Through the use of statements contained in the advertisements referred to in paragraph four, including but not limited to the advertisements attached as Exhibit 5 and 6, respondent has represented, directly or by implication, that Sugar Freedom products are particularly useful or appropriate in the diabetic's diet. Respondent has failed to disclose:

A. That many Sugar Freedom products are high in total fat and saturated fat. Diabetics are at increased risk of heart disease and many diabetics are advised to regulate their total fat and saturated fat intake. Some Sugar Freedom products contain as much as 16 grams of total fat and 10 grams of saturated fat per serving. Some contain over 13 grams of total fat and many contain well over 4 grams of saturated fat per serving. While no food is inherently inappropriate for people with diabetes, in light of respondent's representation that Sugar Freedom products are particularly useful or appropriate in the diabetic's diet, the high total fat and saturated fat content of these Sugar Freedom products would be material to diabetics in deciding to purchase and use them and the failure to disclose these facts is deceptive.

B. That many Sugar Freedom products are not low or reduced in calories. Many diabetics are advised to regulate their caloric intake. Some Sugar Freedom products contain as many as 260 calories per serving. While no food is inherently inappropriate for people with diabetes, in light of respondent's representation that Sugar Freedom products are particularly useful or appropriate in the diabetic's diet, the fact that these Sugar Freedom products are not low or reduced in calories would be material to diabetics in deciding to purchase and use them and the failure to disclose these facts is deceptive.

PAR. 10. The acts and practices of the respondent as alleged in this complaint constitute unfair or deceptive acts of practices and the making of false advertisements in or affecting commerce in violation of Sections 5(a) and 12 of the Federal Trade Commission Act.

Complaint

120 F.T.C.

EXHIBIT 1

# Slim Down for Summer!

## WIN

**A luxury weekend at the Abbey Resort and Fontana Spa**

Fill out this official entry form and mail it to: Slim Down For Summer Sweepstakes, P.O. Box 8371, Northfield, IL 60093. Must be postmarked by July 2, 1993. You can win a luxury weekend for two adults valid through June 11, 1993 at the Abbey Resort and Fontana Spa. Weekend package includes: two nights accommodations, spa membership, breakfast and dinner. Approximate retail value \$100.

NAME: \_\_\_\_\_  
 ADDRESS: \_\_\_\_\_  
 CITY: \_\_\_\_\_ STATE: \_\_\_\_\_ ZIP: \_\_\_\_\_  
 PHONE: \_\_\_\_\_  
 EMAIL: \_\_\_\_\_

<p><b>MANUFACTURER'S COUPON EXPIRES 12/31/93</b></p> <p><b>Save 35¢</b> on any package of</p> <p><b>Sugar Freedom</b> <b>ESKIMO PIE</b> novelty or half gallon</p> <p>72400-00117044</p>	<p><b>MANUFACTURER'S COUPON EXPIRES 12/31/93</b></p> <p><b>Save 30¢</b> on ONE 1.5 liter, ONE 1 liter or ONE 4-pack of 12 ea. bottles of</p> <p><b>Grayson Mountain Water</b></p> <p>95942-104847</p>	<p><b>MANUFACTURER'S COUPON EXPIRES 12/31/93</b></p> <p><b>Save 50¢</b> on any TWO packages of</p> <p><b>DICK'SWEET Express</b> Frozen Vegetables for the microwave</p> <p>70510-23024</p>	<p><b>MANUFACTURER'S COUPON EXPIRES 12/31/93</b></p> <p><b>Save 35¢</b> on any package of</p> <p><b>CHICO SAN</b> Frosted Cakes and Tarts Frosted Ritz Cakes Cream of Wheat</p> <p>72400-4003</p>	<p><b>MANUFACTURER'S COUPON EXPIRES 12/31/93</b></p> <p><b>Save 30¢</b> on any package of</p> <p><b>Farm Rich</b> Non-Dairy Breakfast Cereals</p> <p>49800-16030</p>
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Item 1-98

EXHIBIT 1

EXHIBIT 2

# Radio Spot


NOW IS YOUR LAST CHANCE TO SLIM DOWN FOR SUMMER, AND THE FOLLOWING GREAT TASTING FOODS CAN HELP

START EACH DAY LIGHT WITH FARM RICH LIGHT NON-DAIRY BREAKFAST CREAMER. CHOLESTEROL FREE AND LOW IN SATURATED FAT, FARM RICH LIGHT NON-DAIRY CREAMER IS DELICIOUS IN COFFEE, ON CEREAL OR ADDED TO SLICED FRUIT.

FOR A TASTY, LOW CALORIE SNACK, TRY CHICO SAN FLAVORED POPCORN CAKES AND RICE CAKES. MADE FROM NUTRITIOUS, WHOLESOME GRAINS AND DELICIOUS ALL-NATURAL FLAVORS, CHICO SAN IS THE IDEAL ALTERNATIVE TO HIGH FAT SNACKS.

QUENCH ANY THIRST WITH GRAYSON MOUNTAIN WATER. BOTTLED AT ITS SOURCE ATOP VIRGINIA'S BLUE RIDGE MOUNTAINS, GRAYSON IS THE FINEST NATURAL DRINKING WATER IN THE WORLD. LOOK FOR GRAYSON IN YOUR FAVORITE GROCERY STORE.

FOR A QUICK SERVING SIDE DISH, TRY PICTSWEET EXPRESS FROZEN VEGETABLES. READY TO SERVE IN THREE MINUTES, U.S.A GROWN PICTSWEET ALL NATURAL VEGETABLES PROVIDE AN EXCELLENT SOURCE OF VITAMINS AND ARE LOW IN FAT.

SATISFY YOUR SWEET TOOTH WITH SUGAR FREEDOM ESKIMO PIE NOVELTY TREATS. MADE WITH THE GREAT TASTE OF NUTRASWEET, REFRESHING SUGAR FREEDOM ESKIMO PIE COMES IN BARS, CONES, SANDWICHES AND NOW HALF  GALLONS.

LOOK FOR MONEY SAVING COUPONS AND A CHANCE TO WIN A LUXURY WEEKEND AT THE ABBEY RESORT AND FONTANA SPA IN THIS WEEK'S LOCAL VALUES MAGAZINE AND CHICAGO TRIBUNE.

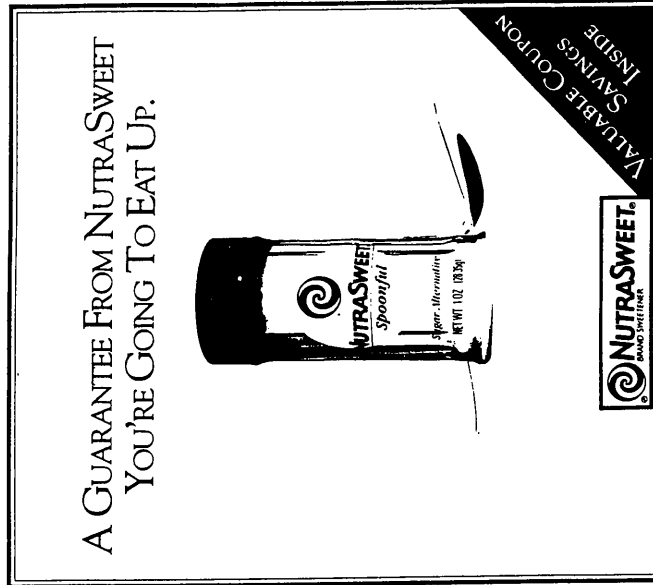
Complaint

120 F.T.C.

EXHIBIT 3

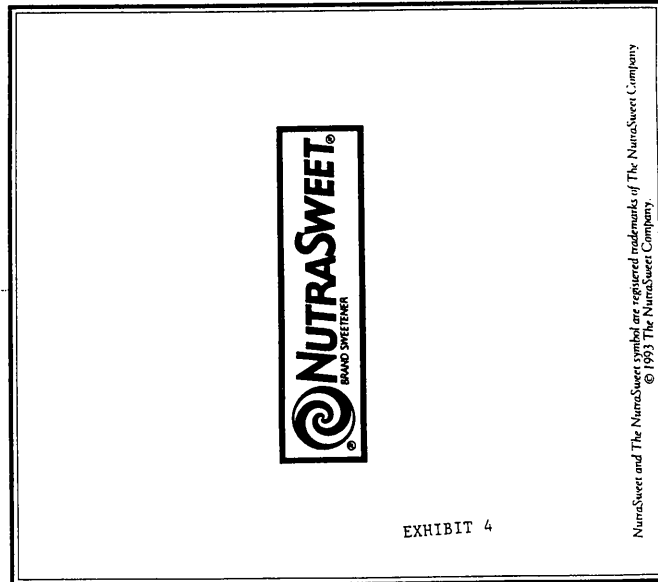
EXHIBIT THREE IS A TAPE RECORDING  
AND IS AVAILABLE UPON REQUEST  
FROM THE PUBLIC REFERENCE BRANCH

EXHIBIT 4



Item 1-70

2/REG





Complaint

120 F.T.C.

## EXHIBIT 4

**THE NUTRASWEET<sup>®</sup> SATISFACTION GUARANTEE**

IF FOR SOME REASON YOU ARE NOT COMPLETELY SATISFIED  
WITH ANY ONE OF THE PRODUCTS ADVERTISED IN THIS  
BOOKLET, FOLLOW THE INSTRUCTIONS ON THE BACK  
PAGE AND SEND IN FOR A REFUND.  
(MAXIMUM REFUND \$4.00 PER HOUSEHOLD)

**SWEET SAVINGS**

Millions of you who are trying to eat smarter enjoy NutraSweet in things like sodas and gum and yogurts. Many of you stock your kitchens with frozen desserts and jams sweetened with NutraSweet. But what about trying the other products sweetened with the great taste of NutraSweet? You can start by clipping these valuable coupons here and save!

At NutraSweet we believe you shouldn't have to compromise on the delicious things in life for any reason — even calories.

**A TASTEFUL OFFER**

A few of the delicious products sweetened with the great taste of NutraSweet<sup>®</sup> brand sweetener have teamed up to make you a delicious deal—a personal taste satisfaction guarantee.

NutraSweet is putting its money where your mouth is—and giving you money back if you're not completely satisfied with any ONE of the products featured in this booklet.

**TRUST THE SWIRL**

For over a decade, NutraSweet<sup>®</sup> brand sweetener has been an important ingredient in thousands of products. Today, products sweetened with NutraSweet are enjoyed by 200 million people around the world, making them feel better about eating and drinking what they want. With 200 million votes of confidence, it's easy to make you this guarantee.



EXHIBIT 4


<p>STORE COUPON REDEEMABLE AT FACE VALUE ONLY   EXPIRES 12/31/93   NOT SUBJECT TO DOUBLING</p>  <p><b>30¢ OFF!</b> of Diet Barq's Root Beer 6-packs, 12-packs, or 2-liter bottles</p>	<p>STORE COUPON REDEEMABLE AT FACE VALUE ONLY   EXPIRES 8/31/93   NOT SUBJECT TO DOUBLING</p>  <p><b>SAVE 35¢</b> on your next purchase of <i>Twister Light</i> Tropicana Good on one 46 oz. bottle of Tropicana Twister Light.</p>	<p>NEW!</p> <p>STORE COUPON REDEEMABLE AT FACE VALUE ONLY   EXPIRES 8/31/93   NOT SUBJECT TO DOUBLING</p>  <p><b>SAVE 50¢</b> on any flavor half gallon or quart of Edy's Sugar Free.</p> <p><b>Edy's</b> <b>SUGAR</b> <b>FREE</b></p>
<p>STORE COUPON REDEEMABLE AT FACE VALUE ONLY   EXPIRES 9/30/93   NOT SUBJECT TO DOUBLING</p> <p>To The Dealer: The Seven-Up Bottling Company will reimburse you the face value of this coupon plus 8¢ handling if you and the consumer have met the offer's terms. Void if prohibited, taxed, restricted, transferred, assigned, if coupon is reproduced, aged, cut, or in any condition, or if retailer cannot provide invoices to prove sufficient stock upon request. Consumer pays deposit and taxes. Cash value 1/20th of face value only in U.S.A. ONE COUPON PER CONSUMER PURCHASE. BEGINS BY MAILING TO THE SEVEN-UP BOTTLING COMPANY, P. O. Box 870133 El Paso, TX 88587-0133</p> <p>Retail Price: <input type="text"/></p>  <p>514-373 78000-77001</p>	<p>STORE COUPON REDEEMABLE AT FACE VALUE ONLY   EXPIRES 6/30/94   NOT SUBJECT TO DOUBLING</p> <p>To The Dealer: We will pay legitimate retailers face value plus 8¢ handling for each coupon received in connection with the retail sale of the products indicated. Coupon void and forfeited if invoices providing purchase of sufficient stock to cover rate of redemption are not produced on request, or if coupon assigned, transferred or presented by one not a retail seller of these products. Presentation for redemption without compliance constitutes fraud. Customer pays any applicable tax. Limit one coupon per purchase (or customer's cash redemption value 1/20th of face value). Reproduction prohibited. Send to E.P.C., CMS Dept. #72800, One Fawcett Drive, Del Rio, TX 78840. Void where prohibited by law.</p> <p>900218</p>	<p>STORE COUPON REDEEMABLE AT FACE VALUE ONLY   EXPIRES 10/31/93   NOT SUBJECT TO DOUBLING</p> <p>Save \$1.00 when you buy one 8 qt. box or three 2 qt. envelopes, any flavor. <b>Sugar Free Kool-Aid® Brand Soft Drink Mix.</b></p> <p>This coupon good only on purchase of product indicated. Any other use constitutes fraud. COUPON NOT TRANSFERABLE. LIMIT ONE COUPON PER PURCHASE. To the retailer: KGF will reimburse you for the face value of this coupon plus 8¢ if submitted in compliance with KGF Redemption Policy C-1, incorporated herein by reference. Valid only if redeemed by retail distributors of the merchandise or anyone specifically authorized by KGF. Cash value 1/20th of face value only. © 1993 KGF, Inc., P. O. Box 103, Kaneoka, IL 60902. \$14.3000-81476-0 OFFER EXPIRES 10/31/93</p>  <p>GFHGLAL3 0 9 \$14.3000-81476-0</p>

EXHIBIT 4

<p>STORE COUPON REDEEMABLE AT FACE VALUE ONLY   EXPIRES 12/31/93   NOT SUBJECT TO DOUBLING</p> <p><b>CUSTOMER:</b> Only use this coupon to purchase the products specified. You must pay any sales tax.</p> <p><b>RETAILER:</b> We will reimburse you the face value of this coupon plus 8¢ handling, provided you honor this coupon for retail sales of the product specified and furnish proof of purchase on request. Coupons not redeemed legitimately could violate U.S. mail statutes and when duplicated, transferred, assigned, laxed, restricted, or where prohibited, transferred to Barq's, Inc. CRC Dept. 95, P.O. Box 625, Delran, NJ 08075. Cash value 1/100th cent. Limit one coupon per purchase.</p> <p>1033</p>  <p>\$ 71702 53030-1</p>	<p>STORE COUPON REDEEMABLE AT FACE VALUE ONLY   EXPIRES 8/31/93   NOT SUBJECT TO DOUBLING</p> <p><b>GROCER:</b> We will reimburse you for the face amount of the coupon plus 8¢ handling provided you and the consumer have complied with the terms of this offer. Presentation for redemption without such compliance constitutes fraud. Invoices proving purchase of sufficient stock of our brand(s) to cover coupon presented for redemption must be shown upon request. Consumer must pay any sales tax. Coupon may not be transferred or assigned and is void where its use is prohibited, laxed or otherwise restricted. Cash value 1/20¢. This offer is limited to one coupon per purchase. Redeem by mailing to: Tropicana Products, Inc., CMS Dept. #46500, One Fawcett Drive, Del Rio, TX 78840.</p>  <p>\$ 46500 50035-9</p>	<p>STORE COUPON REDEEMABLE AT FACE VALUE ONLY   EXPIRES 8/31/93   NOT SUBJECT TO DOUBLING</p> <p><b>ATTENTION GROCER:</b> Edy's will pay you the face value of this coupon plus 8¢ handling, provided you and the consumer have complied with the terms of this offer. Consumer must purchase specific product. This coupon is non-assignable and may not be reproduced. Invoices that prove purchase of sufficient stock of product specified to cover coupons must be shown on request. Ship coupons to EDY'S GRAND ICE CREAM, CMS Dept. #41548, One Fawcett Drive, Del Rio, TX 78840. Limit one coupon per purchase.</p> <p>41548-8235</p>
<p>Save 55¢ on one 8-qt. or 12-qt. canister any flavor. SUGAR FREE <b>Crystal Light</b><sup>®</sup></p> 	<p>STORE COUPON REDEEMABLE AT FACE VALUE ONLY   EXPIRES 10/31/93   NOT SUBJECT TO DOUBLING</p> <p>Save 30¢ When You Buy Any Two Weight Watchers<sup>®</sup> Ultimate 90<sup>®</sup> Yogurt</p> 	<p>STORE COUPON REDEEMABLE AT FACE VALUE ONLY   EXPIRES 9/30/93   NOT SUBJECT TO DOUBLING</p> <p>Save 30¢ On Any Sugar Free or Diet Carnation<sup>®</sup> Hot Cocoa Mix</p>  <p>6651</p>

STORE COUPON REDEEMABLE AT FACE VALUE ONLY EXPIRES 10/31/93 NOT SUBJECT TO DOUBLING

**Save 50¢**  
On Any Variety or Size  
of Lipton Sugar Free  
Iced Tea Mix



STAKE COUPON REDEEMABLE AT FACE VALUE ONLY / EXPIRES 12/31/93 / NOT SUBJECT TO DOUBLING

STAKE COUPON REDEEMABLE AT FACE VALUE ONLY / EXPIRES 12/31/93 / NOT SUBJECT TO DOUBLING

**Save 75¢**  
on one Pint of Simple Pleasures® Light  
made with




**NUTRASWEET** & **e-Simplesse**  
"Not available in all areas."



55¢ STORE COUPON REDEEMABLE AT FACE VALUE ONLY EXPIRES 10/31/93 NOT SUBJECT TO DOUBLING

This coupon good only on purchase of product indicated. Other use constitutes fraud. COUPON NOT TRANSFERABLE. LIMIT ONE COUPON PER PURCHASE. To the retailer: KGF will reimburse you for the face value of this coupon plus 8¢ if submitted in compliance with KGF Redemption Policy C-1, incorporated herein by reference. Valid only if redeemed by retail distributor of our merchandise or anyone specifically authorized by KGF. Cash value 1/20¢. Mail to: Kraft General Foods, Inc., P.O. Box 103, Oakdale, IL 60092. Expires on December 31, 1993.

0181483




3 43000 83135 0

STORE COUPON REDEEMABLE AT FACE VALUE ONLY EXPIRES 10/31/93 NOT SUBJECT TO DOUBLING

CONSUMER: Only one coupon is redeemable per purchase on Weight Watchers Ultimate 90 Yogurt. You pay any sales tax. Void if transferred to any person or group prior to redemption. Any other use constitutes fraud!

RETAILER: We will reimburse you for the face value of this coupon plus 8¢ if submitted in compliance with KGF Redemption Policy C-1, incorporated herein by reference. Valid only if redeemed by retail distributor of our merchandise or anyone specifically authorized by KGF. Cash value 1/20¢. Mail to: Kraft General Foods, Inc., P.O. Box 103, Oakdale, IL 60092. Expires on December 31, 1993.

180084




3 17198 41103 8 5

STORE COUPON REDEEMABLE AT FACE VALUE ONLY EXPIRES 9/30/93 NOT SUBJECT TO DOUBLING

CONSUMER: Limit one coupon per item purchased. This coupon good only on product sizes and flavors indicated.

RETAILER: NESTLE USA, INC., will reimburse you face value plus 8¢ if submitted in compliance with NESTLE USA Manufacturers Coupon Redemption Policy dated 10/91, available upon request. Consumer must pay sales tax. Good only in USA. Send coupons to NESTLE USA, INC., CMS Department, 00020, 1 Fawcett Drive, Del Rio, TX 78840. Cash value 1/20¢. Void where prohibited or restricted. © 1993 S.P.N., Nestlé Beverage Co.

6651



3 50000 77430 5





**Announcing New Spoon Size Sugar Freedom Eskimo Pie.**



11-00 1-132

---

MER Coupon Exp. 12/31/94

**50¢ Off**

**Sugar Freedom Eskimo Pie Half Gallon**

Now you can enjoy the delicious taste of Sugar Freedom Eskimo Pie in our new half gallons. So whether you choose rich Vanilla, creamy Chocolate or luscious Fudge Ripple, there'll be more than enough to please the whole family. Offer good only on Sugar Freedom half gallons.



**10900 00117390**

In The States: We will not deal in connection with the resale of the product unless the Consumer and Retailer have an agreement assigned to the product. The product is not to be resold, transferred or otherwise used in any way without the express written consent of the Eskimo Pie Corporation. Void where prohibited by law. © Eskimo Pie, Inc. 1994. Terms, 8849 0128. Void where prohibited by law.





## DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Chicago Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that a complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent The Eskimo Pie Corporation is a Delaware corporation, with its office and principal place of business located at 901 Moorefield Park Drive, Richmond, Virginia.
2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

## ORDER

## I.

*It is ordered*, That respondent The Eskimo Pie Corporation, a corporation, its successors and assigns, and its officers, agents,

representatives, and employees, directly or through any corporation, subsidiary, division or other device, in connection with the manufacturing, labelling, advertising, promotion, offering for sale, sale, or distribution of any frozen dessert product in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from misrepresenting, in any manner, directly or by implication, through numerical or descriptive terms, logos, symbols, or any other means:

A. The existence or amount of calories or any other nutrient or ingredient in any such product; or

B. That such product has been approved, endorsed or recommended by any person, group or organization.

## II.

*It is ordered,* That respondent The Eskimo Pie Corporation, a corporation, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division or other device, in connection with the manufacturing, labelling, advertising, promotion, offering for sale, sale, or distribution of any frozen dessert product in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from failing to disclose clearly and prominently in any advertisement or promotional material that represents, in any manner, directly or by implication, through numerical or descriptive terms, logos, symbols, or any other means, that such product is a useful or appropriate part of a diabetic's diet:

A. The fat content per serving of such product expressed as 1) the number of grams and 2) the percentage of the "Maximum Daily Value," unless such product is low in total fat;

B. The saturated fat content per serving of such product expressed as 1) the number of grams and 2) the percentage of the "Maximum Daily Value" of the saturated fat, unless such product is low in saturated fat; and

C. The statement "Not a reduced calorie food" when such a statement would be required on the label pursuant to regulations promulgated by the Food and Drug Administration.

The statements required by subparagraphs A.1 and A.2 and B.1 and B.2 of this Part shall appear in close proximity. For purposes of this Part, the term "Maximum Daily Value" shall mean the daily reference value or other daily intake limit for total fat or saturated fat established in an effective final regulation of the Food and Drug Administration. For purposes of this Part, "low in fat" and "low in saturated fat" shall mean the qualifying amount for such terms as set forth in regulations promulgated by the Food and Drug Administration.

For purposes of this order, "clearly and prominently" shall mean as follows:

1. In a television or videotape advertisement, the disclosure shall be presented simultaneously in both the audio and video portions of the advertisement. The audio disclosure shall be delivered in a volume and cadence and for a duration sufficient for an ordinary consumer to hear and comprehend it. The video disclosure shall be of a size and shade, and shall appear on the screen for a duration, sufficient for an ordinary consumer to read and comprehend it;

2. In a print advertisement, the disclosure shall be in close proximity to the representation that triggers the disclosure in at least twelve (12) point type; and

3. In a radio advertisement, the disclosure shall be delivered in a volume and cadence and for a duration sufficient for an ordinary consumer to hear and comprehend it.

### III.

Nothing in this order shall prohibit respondent from making any representation that is specifically permitted in labeling for any product by regulations promulgated by the Food and Drug Administration pursuant to the Nutrition Labeling and Education Act of 1990.

### IV.

*It is further ordered,* That for five (5) years after the last date of dissemination of any representation covered by this order, respondent, or its successors and assigns, shall maintain and upon

request make available to the Federal Trade Commission for inspection and copying:

A. All materials that were relied upon in disseminating such representation; and

B. All test reports, studies, surveys, demonstrations, or other evidence in its possession or control that contradict, qualify, or call into question such representation, including correspondence from consumers.

V.

*It is further ordered,* That respondent shall notify the Commission at least thirty (30) days prior to any proposed change in the respondent such as dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, or any other change in the respondent which may affect compliance obligations arising out of this order.

VI.

*It is further ordered,* That respondent shall distribute a copy of this order to each of its operating divisions and to each of its officers, agents, representatives, employees, and licensees engaged in the preparation or placement of advertisements or other materials covered by this order.

VII.

*It is further ordered,* That respondent, or its successors and assigns, shall, for three (3) years after the date of the last dissemination of the representation to which they pertain, maintain and upon request make available to the Federal Trade Commission for inspection and copying all advertisements containing any representation covered by this order.

VIII.

*It is further ordered,* That respondent shall, within sixty (60) days after service of this order, and at such other time as the Commission may require, file with the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this order.

Complaint

120 F.T.C.

IN THE MATTER OF

APM ENTERPRISES - MINN INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF  
THE TRUTH IN LENDING ACT AND SEC. 5 OF THE  
FEDERAL TRADE COMMISSION ACT

*Docket C-3598-Complaint, Aug. 11, 1995--Decision, Aug. 11, 1995*

This consent order requires, among other things, a video dating service franchise to properly and accurately disclose the annual percentage rate ("APR") and other credit terms of financed memberships, as required by the federal Truth in Lending Act, and requires the franchise to establish adjustment refund programs to compensate its past and current members who overpaid finance charges.

#### *Appearances*

For the Commission: *Stephen Cohen* and *Judy Nixon*.

For the respondent: *Basil Demeur, Knechtel & Demeur*, Oak Park, IL.

#### COMPLAINT

The Federal Trade Commission, having reason to believe that Great Expectations Creative Management, Inc. has violated the Federal Trade Commission Act ("FTC Act"), and that Great Expectations, Inc., GEC Illinois, Inc., GEC Tennessee, Inc., GEC Alabama, Inc., Great Southern Video, Inc., New West Video Enterprises, Inc., San Antonio Singles of Texas, Inc., Austin Singles of Texas, Inc., Great Expectations of Baltimore, Inc., Great Expectations of Washington, D.C., Inc., Great Expectations of Washington, Inc., Sterling Connections, Inc., Private Eye Productions, Inc., Great Expectations - Columbus, Inc., JAMS Financial, Inc., V.L.P. Enterprises, Inc., APM Enterprises - Minn Inc., KGE, Inc., G.E.C.H., Inc., MWVE, Inc., GREATEX Denver, Inc., Sun West Video, Inc., and TRIAAC Enterprises, Inc. (hereinafter sometimes referred to collectively as "Great Expectations") have violated the Truth in Lending Act ("TILA"), its implementing Regulation Z, and the FTC Act, and it appearing to the

Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues this complaint, and alleges as follows:

PARAGRAPH 1. Great Expectations Creative Management, Inc. ("GECM") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 16830 Ventura Blvd., Suite P, Encino, CA.

PAR. 2. Great Expectations, Inc. ("GEI") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its corporate office at 16830 Ventura Blvd., Suite P, Encino, CA, and its principal places of business located at 1640 S. Sepulveda Blvd., Suite 100, Los Angeles, CA, 17207 Ventura Blvd., Encino, CA, and 450 N. Mountain, Suite B, Upland, CA.

PAR. 3. GEC Illinois, Inc. ("GE Illinois") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Illinois, with its office and principal place of business located at 1701 E. Woodfield Dr., Suite 400, Schaumburg, IL.

PAR. 4. GEC Tennessee, Inc. ("GE Tennessee") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 5552 Franklin Rd., Suite 200, Nashville, TN.

PAR. 5. GEC Alabama, Inc. ("GE Alabama") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Alabama, with its office and principal place of business located at 7529 S. Memorial Pkwy., Suite C & D, Huntsville, AL.

PAR. 6. Great Southern Video, Inc., doing business as Great Expectations of Dallas ("GE Dallas"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its office and principal place of business located at 14180 Dallas Pkwy., Suite 100, Dallas, TX.

PAR. 7. New West Video Enterprises, Inc., doing business as Great Expectations of Houston ("GE Houston"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its office and principal place of business located at 50 Briarhollow, Suite 100, Houston, TX.



PAR. 8. San Antonio Singles of Texas, Inc., doing business as Great Expectations of San Antonio ("GE San Antonio"), is a corporation, organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its corporate office at 10497 Town & Country Way, Suite 214, Houston, TX, and its principal place of business located at 8131 I.H. 10 West, Suite 225, San Antonio, TX.

PAR. 9. Austin Singles of Texas, Inc., doing business as Great Expectations of Austin ("GE Austin"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its corporate office at 10497 Town & Country Way, Suite 214, Houston, TX, and its principal place of business located at 9037 Research Blvd., Suite 130, Austin, TX.

PAR. 10. Great Expectations of Baltimore, Inc. ("GE Baltimore") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Virginia, with its office and principal place of business located at 40 York Rd., Suite 500, Towson, MD.

PAR. 11. Great Expectations of Washington, D.C., Inc. ("GE DC") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Maryland, with its office and principal place of business located at 8601 Westwood Center Dr., Vienna, VA.

PAR. 12. Great Expectations of Washington, Inc., doing business as Great Expectations of Raleigh/Durham ("GE Raleigh"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Maryland, with its office and principal place of business located at 3714 Benson Dr., Suite 200, Raleigh, NC.

PAR. 13. Sterling Connections, Inc., doing business as Great Expectations of Seattle ("GE Seattle"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Oregon, with its office and principal place of business located at 305 108th Ave., N.E., Suite 205, Bellevue, WA.

PAR. 14. Private Eye Productions, Inc., doing business as Great Expectations of Portland ("GE Portland"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Oregon, with its office and principal place of business located at 5531 S.W. Macadam Ave., Suite 225, Portland, OR.

PAR. 15. Great Expectations - Columbus " Inc. ("GE Columbus") is a corporation organized, existing, and doing business under and by

virtue of the laws of the state of Ohio, with its corporate office at 11835 W. Olympic Blvd., Suite 490, Los Angeles, CA, and its principal place of business located at 1103 Schrock Rd., Suite 101, Columbus, OH.

PAR. 16. JAMS Financial, Inc., doing business as Great Expectations of Milwaukee ("GE Milwaukee"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Wisconsin, with its corporate office at 11835 W. Olympic Blvd., Suite 490, Los Angeles, CA, and its principal place of business located at 16650 W. Bluemound, Suite 100, Brookfield, WI.

PAR. 17. V.L.P. Enterprises, Inc., doing business as Great Expectations of San Diego ("GE San Diego"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 3465 Camino Del Rio South, Suite 300, San Diego, CA.

PAR. 18. APM Enterprises - Minn Inc., doing business as Great Expectations of Minneapolis ("GE Minneapolis"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Illinois, with its office and principal place of business located at 3300 Edinborough Way, Suite 300, Edina, MN.

PAR. 19. KGE, Inc., doing business as Great Expectations of Sausalito, Great Expectations of Mountain View, and Great Expectations of Walnut Creek (collectively referred to as "GE-SFA"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its corporate office at 1943 Landings Dr., Mountain View, CA, and its principal places of business located at 2401 Marinship Way, Suite 100, Sausalito, CA, 2085 Landings Dr., Mountain View, CA, and 1280 Civic Dr., Suite 300, Walnut Creek, CA.

PAR. 20. G.E.C.H., Inc., doing business as Great Expectations of Cherry Hill ("GE Cherry Hill"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of New Jersey with its office and principal places of business located at One Cherry Hill, Suite 600, Cherry Hill, NJ.

PAR. 21. MWVE, Inc., doing business as Great Expectations of Cleveland ("GE Cleveland"), is 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 6300 Rockside Rd., Suite 200, Cleveland, OH.

PAR. 22. GREATEX Denver, Inc., doing business as Great Expectations Video Dating, Ltd. ("GE-Denver"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Washington, with its office and principal place of business located at 3773 Cherry Creek North Dr., Suite 140, Denver, CO.

PAR. 23. Sun West Video, Inc., doing business as Great Expectations for Singles ("GE Phoenix"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Arizona, with its office and principal place of business located at 5635 N. Scottsdale Rd., Suite 190, Scottsdale, AZ.

PAR. 24. TRIAAC Enterprises, Inc., doing business as Great Expectations of Sacramento ("GE Sacramento"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 2277 Fair Oaks Blvd., Suite 195, Sacramento, CA.

#### RESPONDENTS' COURSE OF BUSINESS

PAR. 25. GECM is a video dating franchisor. It sells and services franchise operations throughout the United States. As part of its regular course of business, GECM has created and disseminated retail installment contracts (Exhibits 1 and 2) to the franchises described in paragraphs two through twenty-four. The GECM retail installment contracts purport to incorporate the disclosures required by the TILA.

PAR. 26. Respondents Great Expectations are video dating franchises respondents have provided financing to their members using retail installment contracts such as Exhibits 1 and 2 to disclose the terms of the financing.

PAR. 27. GECM's TILA disclosure (Exhibit 1) contains erroneous instructions for calculating and disclosing the finance charge and contains a pre-printed annual percentage rate ("APR") of 18%. In addition, Exhibit 1 fails to make the TILA disclosures in the format required by the TILA and fails to identify the creditor as required by the TILA.

PAR. 28. In 1988, GECM learned from its auditor that the calculations and disclosures contained in Exhibit 1 did not comply with the TILA. Nevertheless, it continued to disseminate Exhibit 1

to its franchisees and failed to notify them of the erroneous calculations and disclosures.

PAR. 29. In late 1990, GECM created a new retail installment contract, which also purported to incorporate the disclosures required by the TILA and which contained a pre-printed APR of 19.6%. (Exhibit 2). Exhibit 2 fails to identify the creditor as required by the TILA and fails to provide the information required by the TILA in the itemization of the amount financed. Furthermore, GECM has disseminated Exhibit 2 to its franchisees but has failed to inform them to discontinue using the erroneous calculation and disclosure instructions that it had previously supplied in Exhibit 1.

PAR. 30. Respondents Great Expectations are creditors as that term is defined in the TILA and Regulation Z.

PAR. 31. The acts and practices of respondents Great Expectations and GECM alleged in this complaint have been and are in or affecting commerce, as "commerce" is defined in Section 4 of the FTC Act.

#### COUNT I

PAR. 32. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 33. Respondent GECM has furnished its franchises with TILA disclosures (Exhibits 1 and 2) that, on their face, violated the TILA. When used by respondents Great Expectations, Exhibits 1 and 2 have resulted in false and misleading disclosures of APRs and finance charges to consumers in violation of Section 5 of the FTC Act.

PAR. 34. In the course and practice of its business as described in paragraphs twenty-five through twenty-nine, and paragraph thirty-three, respondent GECM has provided respondents Great Expectations with the means and instrumentalities to violate the Section 5 of the FTC Act.

PAR. 35. The practices described in paragraph thirty-four constitute unfair or deceptive acts or practices in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

Complaint

120 F.T.C.

## COUNT II

PAR. 36. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 37. Respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to accurately calculate and disclose the APR.

PAR. 38. The practice described in paragraph thirty-seven by respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Sections 107(a) and (c) of the TILA, 15 U.S.C. 1606(a) and (c), and Sections 226.18(e) and 226.22 of Regulation Z, 12 CFR 226.18(e) and 226.22.

## COUNT III

PAR. 39. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 40. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Columbus, GE Milwaukee, GE-SFA, GE Cleveland, GE Phoenix, GE Sacramento, and GE San Diego have furnished their members with TILA disclosures that have failed to accurately calculate and disclose the finance charge.

PAR. 41. The practice described in paragraph forty by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Columbus, GE Milwaukee, GE-SFA, GE Cleveland, GE Phoenix, GE Sacramento, and GE San Diego violates Section 106 of the TILA, 15 U.S.C. 1605, and Sections 226.4 and 226.18(d) of Regulation Z, 12 CFR 226.4 and 226.18(d).

## COUNT IV

PAR. 42. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 43. Respondents GE Dallas, GE Houston, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, and GE Phoenix have furnished their members with TILA disclosures that have failed to disclose the finance charge more conspicuously than any other disclosure except the APR and the creditor's identity.

PAR. 44. The practice described in paragraph forty-three by respondents GE Dallas, GE Houston, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, and GE Phoenix violates Section 122(a) of the TILA, 15 U.S.C. 1632(a), and Section 226.17(a)(2) of Regulation Z, 12 CFR 226.17(a)(2).

## COUNT V

PAR. 45. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 46. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to segregate the disclosures required by the TILA from all other information provided in connection with the transaction, including the itemization of the amount financed.

PAR. 47. The practice described in paragraph forty-six by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(b)(1) of the TILA, 15 U.S.C. 1638(b)(1), and Section 226.17(a)(1) of Regulation Z, 12 CFR 226.17(a)(1).

## COUNT VI

PAR. 48. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 49. Respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE-

Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have failed to accurately disclose the itemization of the amount financed.

PAR. 50. The practice described in paragraph forty-nine by respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a) of the TILA, 15 U.S.C. 1638(a), and Section 226.18(c) of Regulation Z, 12 CFR 226.18(c).

#### COUNT VII

PAR. 51. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 52. Respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have failed to disclose the identity of the creditor.

PAR. 53. The practice described in paragraph fifty-two by respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(1) of the TILA, 15 U.S.C. 1638(a)(1), and Section 226.18(a) of Regulation Z, 12 CFR 226.18(a).

#### COUNT VIII

PAR. 54. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 55. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix,

and GE Sacramento have furnished their members with TILA disclosures that have failed to provide a description of the amount financed.

PAR. 56. The practice described in paragraph fifty-five by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(8) of the TILA, 15 U.S.C. 1638(a)(8), and Section 226.18(b) of Regulation Z, 12 CFR 226.18(b).

PAR. 57. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide a description of the finance charge.

PAR. 58. The practice described in paragraph fifty-seven by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(8) of the TILA, 15 U.S.C. 1638(a)(8), and Section 226.18(d) of Regulation Z, 12 CFR 226.18(d).

PAR. 59. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide a description of the APR.

PAR. 60. The practice described in paragraph fifty-nine by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(8) of the TILA, 15 U.S.C. 1638(a)(8), and Section 226.18(e) of Regulation Z, 12 CFR 226.18(e).

PAR. 61. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their



members with TILA disclosures that have failed to provide the total of payments and/or a description of the total of payments.

PAR. 62. The practice described in paragraph sixty-one by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(5) and/or (8) of the TILA, 15 U.S.C. 1638(a)(5) and/or (8), and Section 226.18(h) of Regulation Z, 12 CFR 226.18(h).

PAR. 63. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide the total sale price and/or a description of the total sale price.

PAR. 64. The practice described in paragraph sixty-three by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(7) and/or (8) of the TILA, 15 U.S.C. 1638 (a )(7) and/or (8), and Section 226.18(j) of Regulation Z, 12 CFR 226.18(j).

#### COUNT IX

PAR. 65. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 66. Respondents GE Dallas, GE Houston, GE Phoenix, GE San Antonio, GE Austin, GE Baltimore, GE DC, and GE Raleigh have failed to include set-up or other fees that are charged only to consumers who finance the costs of their memberships in the finance charge and the annual percentage rate disclosed to the consumer. They have also failed to exclude these finance charges from the amount financed that is disclosed to consumers.

PAR. 67. The practices described in paragraph sixty-six by respondents GE Dallas, GE Houston, GE Phoenix, GE San Antonio, GE Austin, GE Baltimore, GE DC, and GE Raleigh violate Sections 106, 107, and 128(a) of the TILA, 15 U.S.C. 1605, 1606, and 1638(a), and Sections 226.4(b), 226.22, and 226.18(b), (d), and (e) of Regulation Z, 12 CFR 226.4(b), 226.22, and 226.18(b), (d), and (e).

334

Complaint

## COUNT X

PAR. 68. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 69. Respondent GE San Diego has furnished its members with TILA disclosures that have failed to disclose the APR, the finance charge, the amount financed, the total of payments, and the total sales price.

PAR. 70. The practices described in paragraph sixty-nine by respondent GE San Diego violate Section 128(a) of the TILA, 15 U.S.C. 1638(a), and Section 226.18 of Regulation Z, 12 CFR 226.18.

## COUNT XI

PAR. 71. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 72. Respondent GE Houston has furnished its members with TILA disclosures that have failed to disclose the amount financed.

PAR. 73. The practice described in paragraph seventy-two by respondent GE Houston violates Section 128(a) of the TILA, 15 U.S.C. 1638(a), and Section 226.18(b) of Regulation Z, 12 CFR 226.18(b).

## COUNT XII

PAR. 74. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 75. Respondents GEI, GE Alabama, GE Illinois, GE Portland, GE Dallas, GE Houston, GE Cleveland, GE Phoenix, GE San Antonio, GE Austin, GE Seattle, GE Denver, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE SFA, GE Cherry Hill, GE Sacramento, GE DC, GE Baltimore, and GE Raleigh have disclosed understated APRs and finance charges to consumers that have resulted in consumers paying more in financing costs than the amount to which they originally agreed.

PAR. 76. The practices described in paragraph seventy-five are unfair or deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. 45(a).

Complaint

120 F.T.C.

EXHIBIT 1

Expectations

RETAIL INSTALLMENT CONTRACT

Name - Last	First	Middle	Age
[Redacted]	[Redacted]	[Redacted]	26
Present Address		City	State   Zip
[Redacted]		[Redacted]	CO   80510
Social Security #	Home Phone	How Long At This Address	How Long in Area
[Redacted]	[Redacted]	2 1/2 YRS	26 YRS
Employed By	Work Phone	Present Position	
[Redacted]	[Redacted]	[Redacted]	
Income All Sources	Annual	Driver's License #	
[Redacted]	[Redacted]	[Redacted]	
Primary Bank Accounts	Checking	Balance	
Savings	[Redacted]	[Redacted]	
Credit Reference - Banks, Finance Co., Credit Unions	Open	Closed	None
USA			
1st INTERSTATE Bank	Open	Closed	None

The undersigned Great Expectations (Seller) hereby sells, and the undersigned buyer, hereinafter referred to as "Member" purchases subject to the provisions of this contract, a MEMBERSHIP in Great Expectations and promises to pay to Great Expectations its share of the TOTAL PAYMENTS (Box 8) in accordance with the Payment Schedule hereinafter set forth.

DESCRIPTION OF GOODS AND SERVICES SOLD:

Interviewing, Testing & Evaluating, Processing & Coding, Background check (if necessary), for the purpose of bringing in contact with the purchaser (client) suitable individuals with similar likes and dislikes, this description intended to be partial only. The purchaser acknowledges receipt of application form, which is made a part hereto as though set out at length.

READ CAREFULLY AND SIGN ONLY WHEN COMPLETELY UNDERSTOOD

Buyer has considered and evaluated the terms of membership as set forth in Great Expectations Membership Agreement dated 10/31/79 and requests financing of the balance due. Acceptance of the terms of both agreements renders null and void Buyer's right to cancel previously provided.

I understand that my failure to participate in Great Expectations does not release me of my obligation to pay this contract in full regardless of the circumstances. I understand that by signing this Agreement I am a Member of Great Expectations.

MEMBER SIGNATURE X [Redacted]

NOTICE TO MEMBER: Upon request, Great Expectations must provide or make available for your examination a statement of its showing how the partial refund of the time price charge is to be computed if any balance of the contract should be prepaid. Member (Buyer) and Great Expectations (Seller) agree that the terms and conditions on the Member's Contract for Membership constitute part of this contract and are incorporated herein by reference. If due to delinquency, it is necessary to refer this account collection, then the balance due shall include actual attorney's fee and court costs. In the event Member fails to pay any installment payment when due, the entire balance then owing shall immediately become due and payable, without notice, at the option of Great Expectations or assignee, and Great Expectations shall not be required to provide any services to Member until Member's payment account is made current. If more than one person signs this contract then their obligation shall be joint and several.

ITEMIZATION OF THE AMOUNT FINANCED

1. Cash Price	1595	BALANCE	10. ANNUAL PERCENTAGE RATE	18%
2. Other	0	1595	11. PAYMENT SCHEDULE:	5
3. Down Payment	300	1295	12. DELINQUENCY AND COLLECTION CHARGES:	23%
4. Paid (11/14/79) Second Interview	100	1195	13. PREPAYMENT REBATE:	Buyer may prepay any part of the unpaid balance without penalty and a payment in full. Buyer shall be entitled to a rebate of the unearned portion of the Finance Charge computed upon the unpaid interest basis, however, there shall be no minimum Finance Charge of \$10.00 and no rebate if unearned charge is less than \$1.00.
5. Other Payments Due (11/30/79)	100	1095		
6. Amt. Financed (Unpaid Bal. at Cash Price #3)	1095	1095		
7. Finance Charge @ 18% = 19% x 15 = no. of payments		82.13		
8. Total Payments (Bal. #7)		1177.13		
9. Deferred Payment Price (Bal. #2 - #7)		1477.13		

DIVIDE by number of payments to calculate each installment and summarize on #11.

Notice to Buyer: (1) Do not sign this agreement before you read it or if it contains any blank spaces to be filled in. (2) You are entitled to a completely filled-in copy of this agreement. (3) You can prepay the full amount due under this agreement at any time. (4) If you desire to pay off in advance the full amount due, the amount which is outstanding will be furnished upon request.

SELLER Great Expectations

Signature of Member X [Redacted]

Business Address: 3773 Cherry Creek N. Dr. #440  
 City & State: Denver CO 8007

Member (Buyer) acknowledges receipt of an exact copy of instrument at the time of its execution. Member (Buyer) further acknowledges that the blanks in this contract were completely filled-in and that he has read the disclosures contained herein prior to signing the contract.

Authorized Signature: [Redacted]  
 Title: [Redacted]

Signature of Member X [Redacted]

Complaint

EXHIBIT 2



RETAIL INSTALLMENT CONTRACT

Form with fields for Name (Last, First, Middle, Age), Address (Street, City, State, Zip), Social Security #, Home Phone, New Long At This Address, Date of Birth, Employer, Work Phone, Present Position, Home Auto Sources, Annual, Driver's License #, Primary Bank Accounts (Savings, Checking), and Account #.

The undersigned Great Expectations (Seller) hereby sells, and the undersigned buyer (Member) purchases, subject to the provisions of this MEMBERSHIP in Great Expectations and promises to pay to Great Expectations or its assigns the TOTAL PAYMENTS in accordance with Schedule hereinafter set forth.

DESCRIPTION OF GOODS AND SERVICES SOLD: Interviewing, Evaluating, Processing & Coding, Background Check (if necessary) and P Video Library for the purpose of giving Member access to a Video Library of potentially suitable individuals with similar files and data, the intended to be same only.

READ CAREFULLY AND SIGN ONLY WHEN COMPLETELY UNDERSTOOD

I have considered and evaluated the terms of membership as set forth in the Great Expectations Membership Agreement dated... and hereby financing of the balance due. I understand that my failure to participate in Great Expectations does not relieve me of any obligations Contract in full. I understand that by signing this Contract, and the Membership Agreement, I am a Member of Great Expectations.

MEMBER SIGNATURE X

NOTICE TO MEMBER: Upon request, Great Expectations must provide or make available for your examination a statement or table showing the amount of the time price charge to be deducted if any balance of the Contract should be prepaid. Member (Buyer) and Great Expectations (Seller) the terms and conditions of the Great Expectations Membership Agreement executed as a part of this Contract and are incorporated herein in the event Member fails to pay any installment payment when due, the entire balance (less any unearned Finance Charge) then owing shall become due and payable, without demand or notice, at the option of Great Expectations or assigns, and Great Expectations shall not be required to provide any services to Member until Member's payment account is made current.

PURCHASE PRICE: \$ payable in accordance with the Statement of Disclosure below.

PAYMENT SCHEDULE: Member's payments hereunder shall be in equal consecutive monthly installments commencing on the month after execution of this Contract and continuing on the same day of each month thereafter until paid in full, interest on the unpaid balance and both prior and after maturity.

FEDERAL TRUTH IN LENDING DISCLOSURES (Statement of Disclosure) table with columns for ANNUAL PERCENTAGE RATE, FINANCE CHARGE, AMOUNT FINANCED, TOTAL OF PAYMENTS, and TOTAL SALES PRICE. Includes a section for Payment Schedule and DELINQUENCY AND COLLECTION CHARGES.

ITEMIZATION OF AMOUNT FINANCED table with 5 rows: 1. Total Cash Price, 2. Less Downpayment, 3. Amount Financed, 4. Finance Charge, 5. Total of Payments. Includes a note: Member (Buyer) acknowledges receipt of an exact copy of this in the area of its execution.

NOTICE TO BUYER: 1. Do not sign this agreement before you read it or if any blank spaces to be filled in. 2. You are entitled to a completely filled in copy agreement. 3. You can prepay the full amount due under this at any time. 4. If you desire to pay off in advance the full amount which is outstanding will be furnished on request.

Seller: GREAT EXPECTATIONS
Business Address
City & State
Authorized Signature

Member (Buyer) acknowledges receipt of an exact copy of this in the area of its execution. Member (Buyer) further acknowledges that in this Contract were completed and filed-in and that the disclosures contained herein prior to signing the Contract.
Signature of Member X

## DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of respondent APM Enterprises - Minn Inc., a corporation, and respondent having been furnished thereafter with a copy of the draft of complaint that the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violations of Section 5(a) of the Federal Trade Commission Act and the Truth in Lending Act; and

The respondent, its attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that respondent has violated the said Acts, and that a complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. APM Enterprises - Minn Inc., doing business as Great Expectations of Minneapolis ("GE Minneapolis"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Illinois, with its office and principal place of business located at 3300 Edinborough Way, Suite 300, Edina, MN.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

## ORDER

## I.

*It is ordered, That:*

A. Respondent GE Minneapolis, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to accurately calculate and disclose the annual percentage rate, as required by Sections 107(a) and (c) of the Truth in Lending Act, 15 U.S.C. 1606(a) and (c), and Sections 226.18(e) and 226.22 of Regulation Z, 12 CFR 226.18(e) and 226.22;

B. Respondent GE Minneapolis, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to segregate the disclosures required by the TILA from all other information provided in connection with the transaction, including from the itemization of the amount financed, as required by Section 128(b)(1) of the TILA, 15 U.S.C. 1638(b)(1), and Section 226.17(a) of Regulation Z, 12 CFR 226.17(a);

C. Respondent GE Minneapolis, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to make all disclosures in the manner, form, and amount required by Sections 122 and 128(a) of the TILA, 15 U.S.C. 1632 and 1638(a), and Sections 226.17 and 226.18 of Regulation Z, 12 CFR 226.17 and 226.18;

D. Respondent GE Minneapolis, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to comply with the TILA, 15 U.S.C. 1601, *et seq.*, and Regulation Z, 12 CFR 226.

## II.

## REFUND PROGRAM

*It is further ordered, That:*

A. Within thirty (30) days following the date of service of this order, respondent shall:

1. Determine to whom respondent disclosed on the original TILA disclosure an annual percentage rate that was miscalculated by more than one quarter of one percentage point below the annual percentage rate determined in accordance with Section 226.22 of Regulation Z, 12 CFR 226.22, or that disclosed a finance charge that was miscalculated by more than one dollar below the finance charge determined in accordance with Section 226.4 of Regulation Z, 12 CFR 226.4, so that each such person will not be required to pay a finance charge in excess of the finance charge actually disclosed or the dollar equivalent of the annual percentage rate actually disclosed, whichever is lower, plus a tolerance of one quarter of one percentage point;

2. Calculate a lump sum refund and a monthly payment adjustment, if applicable, in accordance with Section 108(e) of the TILA, 15 U.S.C. 1607(e);

3. Mail a refund check to each eligible consumer in the amount determined above, along with Attachment 1; and

4. Provide the Federal Trade Commission with a list of each such consumer, the amount of the refund, the number of payments refunded, the amount of adjustment for future payments and the number of future payments to be adjusted.

B. No later than fifteen (15) days following the date of service of this order, respondent shall provide the Federal Trade Commission with the name and address of three independent accounting firms, with which it, its officers, employees, attorneys, agents, and franchisees have no business relationship. Staff for the Division of Credit Practices of the FTC shall then have the sole discretion to choose one of the firms ("independent agent") and so advise respondent;

C. Within thirty (30) days following the date of adjustments made pursuant to this section, respondent shall direct the independent agent to review a statistically-valid sample of refunds. Respondent shall provide the Federal Trade Commission with a certified letter from the independent agent confirming that respondent has complied with Part II. A. of this order;

D. All costs associated with the administration of the refund program and payment of refunds shall be borne by the respondent.

### III.

*It is further ordered*, That respondent, its successors and assigns, shall maintain for at least five (5) years from the date of service of this order and, upon thirty (30) days advance written request, make available to the Federal Trade Commission for inspection and copying all documents and other records necessary to demonstrate fully its compliance with this order.

### IV.

*It is further ordered*, That respondent, its successors and assigns, shall distribute a copy of this order to any present or future officers and managerial employees having responsibility with respect to the subject matter of this order and that respondent, its successors and assigns, shall secure from each such person a signed statement acknowledging receipt of said order.

### V.

*It is further ordered*, That respondent, for a period of five (5) years following the date of service of this order, shall promptly notify the Commission at least thirty (30) days prior to any proposed change in its corporate structure such as dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or affiliates, or any other change in the corporation that may affect compliance obligations arising out of the order.



## VI.

*It is further ordered,* That respondent shall, within one hundred and eighty (180) days of the date of service of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this order.

## ATTACHMENT I

Dear Great Expectations Customer:

Several months ago, Great Expectations Minneapolis was contacted by the Federal Trade Commission staff with a view toward reviewing the standard form agreements which are utilized in connection with the business of Great Expectations Minneapolis. We submitted our contracts to the Federal Trade Commission staff for their review.

According to the Federal Trade Commission, the calculations used in calculating or disclosing the annual percentage rate or finance charges were in error. As a result, Great Expectations Minneapolis amended its format in order to comply with the Truth in Lending Act. As part of our settlement with the Federal Trade Commission for any alleged violations of the Truth in Lending Act from the past, we are now sending you the enclosed refund check in the amount of \$\_\_\_\_\_, which represents the amount you may have been overcharged as a result of possible errors made by Great Expectations in calculating or disclosing the annual percentage rate or finance charge.

[In order to correct any error that we may have made in the past, your future monthly payments have been adjusted to accommodate any possible overcharge which resulted from the calculations engaged in calculating or disclosing the annual percentage rate or finance charge.] We regret any inconvenience this may have caused you.

Sincerely,

Great Expectations

## IN THE MATTER OF

G.E.C.H., INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF  
THE TRUTH IN LENDING ACT AND SEC. 5 OF THE  
FEDERAL TRADE COMMISSION ACT*Docket C-3599. Complaint, Aug. 11, 1995--Decision, Aug. 11, 1995*

This consent order requires, among other things, a video dating service franchise to properly and accurately disclose the annual percentage rate ("APR") and other credit terms of financed memberships, as required by the federal Truth in Lending Act, and requires the franchise to establish adjustment refund programs to compensate its past and current members who overpaid finance charges.

*Appearances*For the Commission: *Stephen Cohen.*For the respondent: *Pro se.*

## COMPLAINT

The Federal Trade Commission, having reason to believe that Great Expectations Creative Management, Inc. has violated the Federal Trade Commission Act ("FTC Act"), and that Great Expectations, Inc., GEC Illinois, Inc., GEC Tennessee, Inc., GEC Alabama, Inc., Great Southern Video, Inc., New West Video Enterprises, Inc., San Antonio Singles of Texas, Inc., Austin Singles of Texas, Inc., Great Expectations of Baltimore, Inc., Great Expectations of Washington, D.C., Inc., Great Expectations of Washington, Inc., Sterling Connections, Inc., Private Eye Productions, Inc., Great Expectations - Columbus, Inc., JAMS Financial, Inc., V.L.P. Enterprises, Inc., APM Enterprises - Minn Inc., KGE, Inc., G.E.C.H., Inc., MWVE, Inc., GREATEX Denver, Inc., Sun West Video, Inc., and TRIAAC Enterprises, Inc. (hereinafter sometimes referred to collectively as "Great Expectations") have violated the Truth in Lending Act ("TILA"), its implementing Regulation Z, and the FTC Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues this complaint, and alleges as follows:

PARAGRAPH 1. Great Expectations Creative Management, Inc. ("GECM") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 16830 Ventura Blvd., Suite P, Encino, CA.

PAR. 2. Great Expectations, Inc. ("GEI") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its corporate office at 16830 Ventura Blvd., Suite P, Encino, CA, and its principal places of business located at 1640 S. Sepulveda Blvd. Suite 100, Los Angeles, CA, 17207 Ventura Blvd., Encino, CA, and 450 N. Mountain, Suite B, Upland, CA.

PAR. 3. GEC Illinois, Inc. ("GE Illinois") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Illinois, with its office and principal place of business located at 1701 E. Woodfield Dr., Suite 400, Schaumburg, IL.

PAR. 4. GEC Tennessee, Inc. ("GE Tennessee") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 5552 Franklin Rd., Suite 200, Nashville, TN.

PAR. 5. GEC Alabama, Inc. ("GE Alabama") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Alabama, with its office and principal place of business located at 7529 S. Memorial Pkwy., Suite C & D, Huntsville, AL.

PAR. 6. Great Southern Video, Inc., doing business as Great Expectations of Dallas ("GE Dallas"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its office and principal place of business located at 14180 Dallas Pkwy., Suite 100, Dallas, TX.

PAR. 7. New West Video Enterprises, Inc., doing business as Great Expectations of Houston ("GE Houston"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its office and principal place of business located at 50 Briarhollow, Suite 100, Houston, TX.

PAR. 8. San Antonio Singles of Texas, Inc., doing business as Great Expectations of San Antonio ("GE San Antonio"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its corporate office at

10497 Town & Country Way, Suite 214, Houston, TX, and its principal place of business located at 8131 I.H. 10 West, Suite 225, San Antonio, TX.

PAR. 9. Austin Singles of Texas, Inc., doing business as Great Expectations of Austin ("GE Austin"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its corporate office at 10497 Town & Country Way, Suite 214, Houston, TX, and its principal place of business located at 9037 Research Blvd., Suite 130, Austin, TX.

PAR. 10. Great Expectations of Baltimore, Inc. ("GE Baltimore") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Virginia, with its office and principal place of business located at 40 York Rd., Suite 500, Towson, MD.

PAR. 11. Great Expectations of Washington, D.C., Inc. ("GE DC") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Maryland, with its office and principal place of business located at 8601 Westwood Center Dr., Vienna, VA.

PAR. 12. Great Expectations of Washington, Inc., doing business as Great Expectations of Raleigh/Durham ("GE Raleigh"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Maryland, with its office and principal place of business located at 3714 Benson Dr., Suite 200, Raleigh, NC.

PAR. 13. Sterling Connections, Inc., doing business as Great Expectations of Seattle ("GE Seattle"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Oregon, with its office and principal place of business located at 305 108th Ave., N.E., Suite 205, Bellevue, WA.

PAR. 14. Private Eye Productions, Inc., doing business as Great Expectations of Portland ("GE Portland"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Oregon, with its office and principal place of business located at 5531 S.W. Macadam Ave., Suite 225, Portland, OR.

PAR. 15. Great Expectations - Columbus, Inc. ("GE Columbus") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Ohio, with its corporate office at 11835 W. Olympic Blvd., Suite 490, Los Angeles, CA, and its

principal place of business located at 1103 Schrock Rd., Suite 101, Columbus, OH.

PAR. 16. JAMS Financial, Inc., doing business as Great Expectations of Milwaukee ("GE Milwaukee"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Wisconsin, with its corporate office at 11835 W. Olympic Blvd., Suite 490, Los Angeles, CA, and its principal place of business located at 16650 W. Bluemound, Suite 100, Brookfield, WI.

PAR. 17. V.L.P. Enterprises, Inc., doing business as Great Expectations of San Diego ("GE San Diego"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 3465 Camino Del Rio South, Suite 300, San Diego, CA.

PAR. 18. APM Enterprises - Minn Inc., doing business as Great Expectations of Minneapolis ("GE Minneapolis"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Illinois, with its office and principal place of business located at 3300 Edinborough Way, Suite 300, Edina, MN.

PAR. 19. KGE, Inc., doing business as Great Expectations of Sausalito, Great Expectations of Mountain View, and Great Expectations of Walnut Creek (collectively referred to as "GE-SFA"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its corporate office at 1943 Landings Dr., Mountain View, CA, and its principal places of business located at 2401 Marinship Way, Suite 100, Sausalito, CA, 2085 Landings Dr., Mountain View, CA, and 1280 Civic Dr., Suite 300, Walnut Creek, CA.

PAR. 20. G.E.C.H., Inc., doing business as Great Expectations of Cherry Hill ("GE Cherry Hill"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of New Jersey with its office and principal places of business located at One Cherry Hill, Suite 600, Cherry Hill, NJ.

PAR. 21. MWVE, Inc., doing business as Great Expectations of Cleveland ("GE Cleveland"), is 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 6300 Rockside Rd., Suite 200, Cleveland, OH.

PAR. 22. GREATEX Denver, Inc., doing business as Great Expectations Video Dating, Ltd. ("GE-Denver"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Washington, with its office and principal place of business located at 3773 Cherry Creek North Dr., Suite 140, Denver, CO.

PAR. 23. Sun West Video, Inc., doing business as Great Expectations for Singles ("GE Phoenix"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Arizona, with its office and principal place of business located at 5635 N. Scottsdale Rd., Suite 190, Scottsdale, AZ.

PAR. 24. TRIAAC Enterprises, Inc., doing business as Great Expectations of Sacramento ("GE Sacramento"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 2277 Fair Oaks Blvd., Suite 195, Sacramento, CA.

#### RESPONDENTS' COURSE OF BUSINESS

PAR. 25. GECM is a video dating franchisor. It sells and services franchise operations throughout the United States. As part of its regular course of business, GECM has created and disseminated retail installment contracts (Exhibits 1 and 2) to the franchises described in paragraphs two through twenty-four. The GECM retail installment contracts purport to incorporate the disclosures required by the TILA.

PAR. 26. Respondents Great Expectations are video dating franchises. Respondents have provided financing to their members using retail installment contracts such as Exhibits 1 and 2 to disclose the terms of the financing.

PAR. 27. GECM's TILA disclosure (Exhibit 1) contains erroneous instructions for calculating and disclosing the finance charge and contains a pre-printed annual percentage rate ("APR") of 18%. In addition, Exhibit 1 fails to make the TILA disclosures in the format required by the TILA and fails to identify the creditor as required by the TILA.

PAR. 28. In 1988, GECM learned from its auditor that the calculations and disclosures contained in Exhibit 1 did not comply with the TILA. Nevertheless, it continued to disseminate Exhibit 1 to its franchisees and failed to notify them of the erroneous calculations and disclosures.

PAR. 29. In late 1990, GECM created a new retail installment contract, which also purported to incorporate the disclosures required by the TILA and which contained a pre-printed APR of 19.6%. (Exhibit 2). Exhibit 2 fails to identify the creditor as required by the TILA and fails to provide the information required by the TILA in the itemization of the amount financed. Furthermore, GECM has disseminated Exhibit 2 to its franchisees but has failed to inform them to discontinue using the erroneous calculation and disclosure instructions that it had previously supplied in Exhibit 1.

PAR. 30. Respondents Great Expectations are creditors as that term is defined in the TILA and Regulation Z.

PAR. 31. The acts and practices of respondents Great Expectations and GECM alleged in this complaint have been and are in or affecting commerce, as "commerce" is defined in Section 4 of the FTC Act.

#### COUNT I

PAR. 32. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 33. Respondent GECM has furnished its franchises with TILA disclosures (Exhibits 1 and 2) that, on their face, violated the TILA. When used by respondents Great Expectations, Exhibits 1 and 2 have resulted in false and misleading disclosures of APRs and finance charges to consumers in violation of Section 5 of the FTC Act.

PAR. 34. In the course and practice of its business as described in paragraphs twenty-five through twenty-nine, and paragraph thirty-three, respondent GECM has provided respondents Great Expectations with the means and instrumentalities to violate the Section 5 of the FTC Act.

PAR. 35. The practices described in paragraph thirty-four constitute unfair or deceptive acts or practices in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

#### COUNT II

PAR. 36. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 37. Respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE

Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to accurately calculate and disclose the APR.

PAR. 38. The practice described in paragraph thirty-seven by respondents GEI, GE Illinois, GE Tennessee GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Sections 107(a) and (c) of the TILA, 15 U.S.C. 1606(a) and (c), and Sections 226.18(e) and 226.22 of Regulation Z, 12 CFR 226.18(e) and 226.22.

#### COUNT III

PAR. 39. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 40. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Columbus, GE Milwaukee, GE-SFA, GE Cleveland, GE Phoenix, GE Sacramento, and GE San Diego have furnished their members with TILA disclosures that have failed to accurately calculate and disclose the finance charge.

PAR. 41. The practice described in paragraph forty by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Columbus, GE Milwaukee, GE-SFA, GE Cleveland, GE Phoenix, GE Sacramento, and GE San Diego violates Section 106 of the TILA, 15 U.S.C. 1605, and Sections 226.4 and 226.18(d) of Regulation Z, 12 CFR 226.4 and 226.18(d).

#### COUNT IV

PAR. 42. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 43. Respondents GE Dallas, GE Houston, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, and GE Phoenix have furnished their members with TILA disclosures that



have failed to disclose the finance charge more conspicuously than any other disclosure except the APR and the creditor's identity.

PAR. 44. The practice described in paragraph forty-three by respondents GE Dallas, GE Houston, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, and GE Phoenix violates Section 122(a) of the TILA, 15 U.S.C. 1632(a), and Section 226.17(a)(2) of Regulation Z, 12 CFR 226.17(a)(2).

#### COUNT V

PAR. 45. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 46. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to segregate the disclosures required by the TILA from all other information provided in connection with the transaction, including the itemization of the amount financed.

PAR. 47. The practice described in paragraph forty-six by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(b)(1) of the TILA, 15 U.S.C. 1638(b)(1), and Section 226.17(a)(1) of Regulation Z, 12 CFR 226.17(a)(1).

#### COUNT VI

PAR. 48. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 49. Respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have failed to accurately disclose the itemization of the amount financed.

PAR. 50. The practice described in paragraph forty-nine by respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE

Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a) of the TILA, 15 U.S.C. 1638(a), and Section 226.18(c) of Regulation Z, 12 CFR 226.18(c).

## COUNT VII

PAR. 51. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 52. Respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have failed to disclose the identity of the creditor.

PAR. 53. The practice described in paragraph fifty-two by respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(1) of the TILA, 15 U.S.C. 1638(a)(1), and Section 226.18(a) of Regulation Z, 12 CFR 226.18(a).

## COUNT VIII

PAR. 54. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 55. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide a description of the amount financed.

PAR. 56. The practice described in paragraph fifty-five by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE

Sacramento violates Section 128(a)(8) of the TILA, 15 U.S.C. 1638(a)(8), and Section 226.18(b) of Regulation Z, 12 CFR 226.18(b).

PAR. 57. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide a description of the finance charge.

PAR. 58. The practice described in paragraph fifty-seven by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(8) of the TILA, 15 U.S.C. 1638(a)(8), and Section 226.18(d) of Regulation Z, 12 CFR 226.18(d).

PAR. 59. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide a description of the APR.

PAR. 60. The practice described in paragraph fifty-nine by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(8) of the TILA, 15 U.S.C. 1638(a)(8), and Section 226.18(e) of Regulation Z, 12 CFR 226.18(e).

PAR. 61. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide the total of payments and/or a description of the total of payments.

PAR. 62. The practice described in paragraph sixty-one by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(5) and/or (8) of

the TILA, 15 U.S.C. 1638(a)(5) and/or (8), and Section 226.18(h) of Regulation Z, 12 CFR 226.18(h).

PAR. 63. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide the total sale price and/or a description of the total sale price.

PAR. 64. The practice described in paragraph sixty-three by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(7) and/or (8) of the TILA, 15 U. S. C. 1638(a)(7) and/or (8), and Section 226.18(j) of Regulation Z, 12 CFR 226.18(j).

#### COUNT IX

PAR. 65. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 66. Respondents GE Dallas, GE Houston, GE Phoenix, GE San Antonio, GE Austin, GE Baltimore, GE DC, and GE Raleigh have failed to include set-up or other fees that are charged only to consumers who finance the costs of their memberships in the finance charge and the annual percentage rate disclosed to the consumer. They have also failed to exclude these finance charges from the amount financed that is disclosed to consumers.

PAR. 67. The practices described in paragraph sixty-six by respondents GE Dallas, GE Houston, GE Phoenix, GE San Antonio, GE Austin, GE Baltimore, GE DC, and GE Raleigh violate Sections 106, 107, and 128(a) of the TILA, 15 U.S.C. 1605, 1606, and 1638(a), and Sections 226.4(b), 226.22, and 226.18(b), (d), and (e) of Regulation Z, 12 CFR 226.4(b), 226.22, and 226.18(b), (d), and (e).

#### COUNT X

PAR. 68. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 69. Respondent GE San Diego has furnished its members with TILA disclosures that have failed to disclose the APR, the

finance charge, the amount financed, the total of payments, and the total sales price.

PAR. 70. The practices described in paragraph sixty-nine by respondent GE San Diego violate Section 128(a) of the TILA, 15 U.S.C. 1638(a), and Section 226.18 of Regulation Z, 12 CFR 226.18.

#### COUNT XI

PAR. 71. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 72. Respondent GE Houston has furnished its members with TILA disclosures that have failed to disclose the amount financed.

PAR. 73. The practice described in paragraph seventy-two by respondent GE Houston violates Section 128(a) of the TILA, 15 U.S.C. 1638(a), and Section 226.18(b) of Regulation Z, 12 CFR 226.18(b).

#### COUNT XII

PAR. 74. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 75. Respondents GEI, GE Alabama, GE Illinois, GE Portland, GE Dallas, GE Houston, GE Cleveland, GE Phoenix, GE San Antonio, GE Austin, GE Seattle, GE Denver, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE SFA, GE Cherry Hill, GE Sacramento, GE DC, GE Baltimore, and GE Raleigh have disclosed understated APRs and finance charges to consumers that have resulted in consumers paying more in financing costs than the amount to which they originally agreed.

PAR. 76. The practices described in paragraph seventy-five are unfair or deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. 45(a).

Complaint

EXHIBIT 1



RETAIL INSTALLMENT CONTRACT

Name - Last	First	Middle	Age
[Redacted]	[Redacted]	[Redacted]	26
Present Address	City	State	Zip
[Redacted]	[Redacted]	CO	80010
Social Security #	Home Phone	How Long At This Address	How Long In Area
[Redacted]	[Redacted]	25 yrs	26 yrs
Employed By	Work Phone	Present Position	
[Redacted]	[Redacted]	[Redacted]	
Income All Sources (Monthly)	Annual	Driver's License #	
[Redacted]	[Redacted]	[Redacted]	
Primary Bank Accounts			
Savings <input checked="" type="checkbox"/> Balance [Redacted]	Checking <input checked="" type="checkbox"/> Balance [Redacted]		
Credit Reference - Bank, Finance Co., Credit Unions	Open <input type="checkbox"/>	Closed <input type="checkbox"/>	Limit
USA			
1st FIRST WELLSFARGO BANK	Open <input type="checkbox"/>	Closed <input type="checkbox"/>	Limit

The undersigned Great Expectations (Seller) hereby sells, and the undersigned buyer, hereinafter referred to as "Member" purchase subject to the provisions of this contract, a MEMBERSHIP in Great Expectations and promises to pay to Great Expectations its share of the TOTAL PAYMENTS (Box 6) in accordance with the Payment Schedule hereinafter set forth.

DESCRIPTION OF GOODS AND SERVICES SOLD:

Interviewing, Testing & Evaluating, Processing & Coding, Background check (if necessary), for the purpose of bringing in contact with the purchaser (client) suitable individuals with similar likes and dislikes. This description intended to be partial only. The purchaser acknowledges receipt of application form, which is made a part hereto as though set out at length.

READ CAREFULLY AND SIGN ONLY WHEN COMPLETELY UNDERSTOOD

Buyer has compared and evaluated the terms of membership as set forth in Great Expectations Membership Agreement dated 10/31/91 and requests financing of the balance due. Acceptance of the terms of both agreements renders null and void any buyer's right to cancel previously provided.

I understand that my failure to participate in Great Expectations does not relieve me of my obligation to pay this contract in full regardless of the circumstances. I understand that by signing this Agreement I am a Member of Great Expectations.

MEMBER SIGNATURE X [Redacted]

NOTICE TO MEMBER: Upon request, Great Expectations must provide or make available for your examination a statement or table showing how the partial refund of the time price charge is to be computed if any balance of the contract should be prepaid. Member (Buyer) and Great Expectations (Seller) agree that the terms and conditions on the Member's Contract for Membership constitute a part of this contract and are incorporated herein by reference. If due to delinquency, it is necessary to refer this account for collection, then the balance due shall include actual attorney's fee and court costs. In the event Member fails to pay any installment payment when due, the entire balance then owing shall immediately become due and payable, without notice, at the option of Great Expectations or assignee, and Great Expectations shall not be required to provide any services to Member until Member's payment account is made current. If more than one person signs this contract then their obligation shall be joint and several.

ITEMIZATION OF THE AMOUNT FINANCED

1. Cash Price	1595	BALANCE	10.	ANNUAL PERCENTAGE RATE	18%
2. Other 1	0	1595	11.	PAYMENT SCHEDULE:	5
3. Down Payment	300	1295		12/15/91	235
4. Paid 11/14/91 Second Interview	100	1195			
5. Other Payments Due 11/30/91	100	1095			
6. Amt. Financed (Unpaid Bal. in Cash Price #3)	1095	1095			
7. Finance Charge @ 18% Bal. x 1% x 15 (no. of payments)		87.13			
8. Total Payments (Box 6 - 7)		1177.13			
9. Deferred Payment Price (Bal. #7 - #8)		1677.13			

11. SUCCESSIVE MONTHLY INSTALLMENTS OF \$ 235 PER MONTH BEGINNING 12/15/91, AND ON THE SAME DAY IN EACH MONTH THEREAFTER, UNTIL FULLY PAID. NO BALLOON PAYMENT.

12. DELINQUENCY AND COLLECTION CHARGES: Buyer shall pay or member to pay any delinquency payment when the same shall become due and such failure to pay shall constitute for a period of more than ten (10) days, then in addition to the amount of such delinquency installment payment the Buyer shall pay to Seller, as delinquency and collection charge, an amount equal to 3% of such payment, except that such charge shall not exceed \$5.00 or be more than \$1.00.

13. PREPAYMENT RESERVE: Buyer may prepay any part of the unpaid balance without penalty and the payment so paid shall be credited to a reduction of the unpaid balance of the Finance Charge compute under the simple interest basis, however, there will be minimum Finance Charge of \$10.00 and no return of Finance Charge is less than \$1.00.

Notice to Buyer: (1) Do not sign this agreement before you read it or if it contains any blank spaces to be filled in. (2) You are entitled to a completely filled-in copy of this agreement. (3) You can prepay the full amount due under this agreement at any time. (4) If you desire to pay off in advance the full amount due, the amount which is outstanding will be furnished upon request.

SELLER Great Expectations

Signature of Member X [Redacted]

Business Address: 3773 Cherry Creek N. Dr #440  
 City & State: Denver CO 80007

Member: Buyer acknowledges receipt of an exact copy of this instrument at the time of its execution. Member (Buyer) further acknowledges that the terms in this contract were completely filled-in and that he has read the disclosures contained here prior to signing the contract.

Authorized Signature: [Redacted]  
 Signature of Member X [Redacted]

Complaint

120 F.T.C.

EXHIBIT 2



RETAIL INSTALLMENT CONTRACT

DATE \_\_\_\_\_

Name Last First Middle Age \_\_\_\_\_

Present Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Social Security # \_\_\_\_\_ Home Phone \_\_\_\_\_ How Long At This Address \_\_\_\_\_ Date of Birth \_\_\_\_\_

Employed By Name and Address \_\_\_\_\_ Work Phone \_\_\_\_\_ Present Position \_\_\_\_\_

Home All Sources Monthly Annual \_\_\_\_\_ Driver's License # \_\_\_\_\_

Primary Bank Accounts Savings  Checking  Name \_\_\_\_\_ Account # \_\_\_\_\_

The undersigned Great Expectations (Seller) hereby sells, and the undersigned buyer (Member) purchases, subject to the provisions of this MEMBERSHIP in Great Expectations and promises to pay to Great Expectations or its assigns the TOTAL PAYMENTS in accordance with its Schedule hereinafter set forth.

DESCRIPTION OF GOODS AND SERVICES SOLD: Interviewing, Evaluating, Processing & Coding, Background Check (if necessary) and P. Video Library for the purpose of giving Member access to a Video Library of potentially suitable individuals with similar likes and dislikes. This is intended to be partial only.

READ CAREFULLY AND SIGN ONLY WHEN COMPLETELY UNDERSTOOD

I have considered and understood the terms of membership as set forth in the Great Expectations Membership Agreement dated \_\_\_\_\_ and the terms of the terms of membership as set forth in the Great Expectations Retail Installment Contract dated \_\_\_\_\_ and I understand that my failure to purchase in Great Expectations does not relieve me of my obligation to pay to Great Expectations or its assigns the TOTAL PAYMENTS in accordance with its Schedule hereinafter set forth.

MEMBER SIGNATURE X \_\_\_\_\_

NOTICE TO MEMBER: Upon request, Great Expectations must provide or make available for your examination a statement or table showing how and at the time any charge is to be assessed if any balance of the Contract should be assessed. Member (Buyer) and Great Expectations (Seller) agree that the terms and conditions of the Great Expectations Membership Agreement constitute a part of this Contract and are incorporated herein by reference. Member (Buyer) shall be responsible for any late payment charges, the entire balance (less any unearned Finance Charge) then owing shall be due and payable, without demand or notice, at the option of Great Expectations or assignee, and Great Expectations shall not be required to provide any services to Member until Member's payment account is made current.

PURCHASE PRICE: \$ \_\_\_\_\_ payable in accordance with the Statement of Disclosures below.

PAYMENT SCHEDULE: Member's payments hereunder shall be in equal consecutive monthly installments commencing on the \_\_\_\_\_ day of the month after execution of this Contract and continuing on the same day of each month thereafter until paid in full, interest on the unpaid balance shall be both prior and after maturity.

**FEDERAL TRUTH IN LENDING DISCLOSURES**  
(Statement of Disclosures)

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	AMOUNT FINANCED	TOTAL OF PAYMENTS	TOTAL SALES PRICE
Line A	Line B	Line C	Line D	Line E
19.6%	\$	\$	\$	\$

The rate of the loan is 19.6% per annum. The finance charge is \$ \_\_\_\_\_ on a loan of \$ \_\_\_\_\_ for a term of \_\_\_\_\_ months. The amount financed is \$ \_\_\_\_\_ less the amount of any cash advance of \$ \_\_\_\_\_.

You the Buyer have the right to receive at this time an explanation of the amount financed, ( ) using an amortization, ( ) do not want an amortization. Your payment schedule will be:

Number of Payments	Amount of Payment	Rate of Interest

**DELINQUENCY AND COLLECTION CHARGES:** If Buyer shall fail or neglect to pay any installment payment when the same shall become due and such failure or neglect shall continue for a period of more than ten (10) days, then in addition to the amount of such delinquent installment payment the Buyer shall pay to Seller, as a delinquency and collection charge, an amount equal to 5% of such payment except that such charge shall not exceed \$5.00 or be less than \$1.00.

**PREPAYMENT:** If you pay off early, you will not have to pay a penalty and you may be entitled to a refund of part of the finance charge.

See your Great Expectations Membership Agreement for any additional information about non-payment, default, any required refinancing in full before the scheduled date and prepayments, rollover and defaults.

**"ITEMIZATION OF AMOUNT FINANCED"**

	Proprietor's Rate
1. Total Cash Price \$ _____	Buyer may prepay or all of the unpaid balance without penalty or interest in full but be credited to a new loan of the amount of the prepayment if the Finance Charge is computed under the interest basis. If there shall be a Finance Charge or other net interest charge of \$1.00.
2. Late Delinquency - \$ _____	
3. Amount Financed \$ _____	
4. Finance Charge \$ _____	
5. Total of Payments \$ _____	

Waiver of any default by the Seller shall not operate as a release of the Buyer's obligation to pay to Seller all actual and reasonable costs of collection including reasonable Attorney fees and disbursements.

Buyer will pay to the Seller a \$10.00 charge for every delinquency other than a first delinquency.

Should any term herein be invalid or unenforceable, the remaining terms shall survive.

**NOTICE TO BUYER:**

- Do not sign this agreement before you read it or if it contains any blank spaces to be filled in.
- You are entitled to a completely filled in copy of this agreement.
- You can prepay the full amount due under this agreement at any time.
- If you desire to pay off in advance the full amount due which is outstanding will be furnished on request.

Seller: GREAT EXPECTATIONS

Business Address: \_\_\_\_\_

City & State: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_ Title \_\_\_\_\_

Member (Buyer) acknowledges receipt of an exact copy of this and the terms of its agreement. Member (Buyer) further acknowledges that the terms of this Contract have been explained and read-in and that the disclosures contained herein prior to signing the Contract.

Signature of Member X \_\_\_\_\_

Reusing: White—FINANCE: Pink—SELLER: Gold—CUSTOMER

© 1988 Great Expectations Credit Management, Inc.

Exhibit

## DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of G.E.C.H., Inc., a corporation, and respondent having been furnished thereafter with a copy of the draft of complaint that the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violations of Section 5 (a) of the Federal Trade Commission Act and the Truth in Lending Act; and

The respondent, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that respondent has violated the said Acts, and that a complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. G.E.C.H., Inc., doing business as Great Expectations of Cherry Hill ("GE Cherry Hill"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of New Jersey with its office and principal place of business located at One Cherry Hill, Suite 600, Cherry Hill, NJ.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.



## ORDER

## I.

*It is ordered, That:*

A. Respondent GE Cherry Hill, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to accurately calculate and disclose the annual percentage rate, as required by Sections 107(a) and (c) of the TILA, 15 U.S.C. 1606(a) and (c), and Sections 226.18(e) and 226.22 of Regulation Z, 12 CFR 226.18(e) and 226.22;

B. Respondent GE Cherry Hill, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to make all disclosures in the manner, form, and amount required by Sections 122 and 128(a) of the TILA, 15 U.S.C. 1632 and 1638(a), and Sections 226.17 and 226.18 of Regulation Z, 12 CFR 226.17 and 226.18;

C. Respondent GE Cherry Hill, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to comply with the TILA, 15 U.S.C. 1601 *et seq.*, and Regulation Z, 12 CFR 226.

## II.

## REFUND PROGRAM

*It is further ordered, That:*

A. Within thirty (30) days following the date of service of this order, respondent shall:

1. Determine to whom respondent disclosed on the original TILA disclosure an annual percentage rate that was miscalculated by more

than one quarter of one percentage point below the annual percentage rate determined in accordance with Section 226.22 of Regulation Z, 12 CFR 226.22, or that disclosed a finance charge that was miscalculated by more than one dollar below the finance charge determined in accordance with Section 226.4 of Regulation Z, 12 CFR 226.4, so that each such person will not be required to pay a finance charge in excess of the finance charge actually disclosed or the dollar equivalent of the annual percentage rate actually disclosed, whichever is lower, plus a tolerance of one quarter of one percentage point;

2. Calculate a lump sum refund and a monthly payment adjustment, if applicable, in accordance with Section 108(e) of the TILA, 15 U.S.C. 1607(e);

3. Mail a refund check to each eligible consumer in the amount determined above, along with Attachment 1; and

4. Provide the Federal Trade Commission with a list of each such consumer, the amount of the refund, the number of payments refunded, the amount of adjustment for future payments and the number of future payments to be adjusted;

B. Within thirty (30) days following the date of adjustments made pursuant to this section, respondent shall direct Ira M. Goldberg, Esquire, to review a statistically-valid sample of refunds. Respondent shall provide the Federal Trade Commission with a certified letter from Mr. Goldberg confirming that respondent has complied with Part II. A. of this order;

C. All costs associated with the administration of the refund program and payment of refunds shall be borne by the respondent.

### III.

*It is further ordered,* That respondent, its successors and assigns, shall maintain for at least five (5) years from the date of service of this order and, upon thirty (30) days advance written request, make available to the Federal Trade Commission for inspection and copying all documents and other records necessary to demonstrate fully its compliance with this order.

## IV.

*It is further ordered,* That respondent, its successors and assigns, shall distribute a copy of this order to any present or future officers and managerial employees having responsibility with respect to the subject matter of this order and that respondent, its successors and assigns, shall secure from each such person a signed statement acknowledging receipt of said order.

## V.

*It is further ordered,* That respondent, for a period of five (5) years following the date of service of this order, shall promptly notify the Commission at least thirty (30) days prior to any proposed change in its corporate structure such as dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or affiliates, or any other change in the corporation that may affect compliance obligations arising out of the order.

## VI.

*It is further ordered,* That respondent shall, within one hundred and eighty (180) days of the date of service of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this order.

## ATTACHMENT 1

Dear Great Expectations Member:

Some time ago, the Federal Trade Commission staff notified us that we had made some inadvertent errors in filling out certain Truth in Lending Act disclosure forms, which is the form you signed containing primarily the terms by which you agreed to pay for your Great Expectations membership over some period of time. After receiving the FTC notification, we went back and recomputed your finance charge and determined that we had miscalculated or improperly disclosed that charge, or the annual percentage rate. We are therefore enclosing a refund check payable to your order in the amount of \$\*\*\*\*\* which represents the amount you were inadvertently overcharged.

[In addition, your future monthly payments have been recalculated and, starting immediately, your monthly payments will be \$\*\*\*\*\*.]

We hope that your experience with Great Expectations has been a positive one and hope that you will feel free to notify us if there is anything we can do for you. We regret any inconvenience this may have caused you.

Very truly yours,

[signed]

Complaint

120 F.T.C.

IN THE MATTER OF

GREAT EXPECTATIONS OF BALTIMORE, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF  
THE TRUTH IN LENDING ACT AND SEC. 5 OF  
THE FEDERAL TRADE COMMISSION ACT*Docket C-3600. Complaint, Aug. 11, 1995--Decision, Aug. 11, 1995*

This consent order requires, among other things, the video dating service franchises to properly and accurately disclose the annual percentage rate ("APR") and other credit terms of financed memberships, as required by the federal Truth in Lending Act, and requires the franchises to establish adjustment refund programs to compensate their past and current members who overpaid finance charges.

*Appearances*For the Commission: *Stephen Cohen* and *Judy Nixon*.For the respondents: *Allen D. Greif*, Towson, MD.

## COMPLAINT

The Federal Trade Commission, having reason to believe that Great Expectations Creative Management, Inc. has violated the Federal Trade Commission Act ("FTC Act"), and that Great Expectations, Inc., GEC Illinois, Inc., GEC Tennessee, Inc., GEC Alabama, Inc., Great Southern Video, Inc., New West Video Enterprises, Inc., San Antonio Singles of Texas, Inc., Austin Singles of Texas, Inc., Great Expectations of Baltimore, Inc., Great Expectations of Washington, D.C., Inc., Great Expectations of Washington, Inc., Sterling Connections, Inc., Private Eye Productions, Inc., Great Expectations - Columbus, Inc., JAMS Financial, Inc., V.L.P. Enterprises, Inc., APM Enterprises - Minn Inc., KGE, Inc., G.E.C.H., Inc., MWVE, Inc., GREATEX Denver, Inc., Sun West Video, Inc., and TRIAAC Enterprises, Inc. (hereinafter sometimes referred to collectively as "Great Expectations") have violated the Truth in Lending Act ("TILA"), its implementing Regulation Z, and the FTC Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues this complaint, and alleges as follows:

PARAGRAPH 1. Great Expectations Creative Management, Inc. ("GECM") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 16830 Ventura Blvd., Suite P, Encino, CA.

PAR. 2. Great Expectations, Inc. ("GEI") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its corporate office at 16830 Ventura Blvd., Suite P, Encino, CA, and its principal places of business located at 1640 S. Sepulveda Blvd., suite 100, Los Angeles, CA, 17207 Ventura Blvd., Encino, CA, and 450 N. Mountain, Suite B, Upland, CA.

PAR. 3. GEC Illinois, Inc. ("GE Illinois") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Illinois, with its office and principal place of business located at 1701 E. Woodfield Dr., Suite 400, Schaumburg, IL.

PAR. 4. GEC Tennessee, Inc. ("GE Tennessee") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 5552 Franklin Rd., suite 200, Nashville, TN.

PAR. 5. GEC Alabama, Inc. ("GE Alabama") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Alabama, with its office and principal place of business located at 7529 S. Memorial Pkwy., Suite C & D, Huntsville, AL.

PAR. 6. Great Southern Video, Inc., doing business as Great Expectations of Dallas ("GE Dallas"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its office and principal place of business located at 14180 Dallas Pkwy., Suite 100, Dallas, TX.

PAR. 7. New West Video Enterprises, Inc., doing business as Great Expectations of Houston ("GE Houston"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its office and principal place of business located at 50 Briarhollow, Suite 100, Houston, TX.

PAR. 8. San Antonio Singles of Texas, Inc., doing business as Great Expectations of San Antonio ("GE San Antonio"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its corporate office at

10497 Town & Country Way, Suite 214, Houston, TX, and its principal place of business located at 8131 I.H. 10 West, Suite 225, San Antonio, TX.

PAR. 9. Austin Singles of Texas, Inc., doing business as Great Expectations of Austin ("GE Austin"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its corporate office at 10497 Town & Country Way, Suite 214, Houston, TX, and its principal place of business located at 9037 Research Blvd., Suite 130, Austin, TX.

PAR. 10. Great Expectations of Baltimore, Inc. ("GE Baltimore") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Virginia, with its office and principal place of business located at 40 York Rd., Suite 500, Towson, MD.

PAR. 11. Great Expectations of Washington, D.C., Inc. ("GE DC") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Maryland, with its office and principal place of business located at 8601 Westwood Center Dr., Vienna, VA.

PAR. 12. Great Expectations of Washington, Inc., doing business as Great Expectations of Raleigh/Durham ("GE Raleigh"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Maryland, with its office and principal place of business located at 3714 Benson Dr., Suite 200, Raleigh, NC.

PAR. 13. Sterling Connections, Inc., doing business as Great Expectations of Seattle ("GE Seattle"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Oregon, with its office and principal place of business located at 305 108th Ave., N.E., Suite 205, Bellevue, WA.

PAR. 14. Private Eye Productions, Inc., doing business as Great Expectations of Portland ("GE Portland"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Oregon, with its office and principal place of business located at 5531 S.W. Macadam Ave., Suite 225, Portland, OR.

PAR. 15. Great Expectations - Columbus, Inc. ("GE Columbus") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Ohio, with its corporate office at 11835 W. Olympic Blvd., Suite 490, Los Angeles, CA, and its principal place of business located at 1103 Schrock Rd., Suite 101, Columbus, OH.

PAR. 16. JAMS Financial, Inc., doing business as Great Expectations of Milwaukee ("GE Milwaukee"), is a corporation, organized, existing, and doing business under and by virtue of the laws of the state of Wisconsin, with its corporate office at 11835 W. Olympic Blvd., Suite 490, Los Angeles, CA, and its principal place of business located at 16650 W. Bluemound, Suite 100, Brookfield, WI.

PAR. 17. V.L.P. Enterprises, Inc., doing business as Great Expectations of San Diego ("GE San Diego"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 3465 Camino Del Rio South, Suite 300, San Diego, CA.

PAR. 18. APM Enterprises - Minn Inc., doing business as Great Expectations of Minneapolis ("GE Minneapolis"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Illinois, with its office and principal place of business located at 3300 Edinborough Way, Suite 300, Edina, MN.

PAR. 19. KGE, Inc., doing business as Great Expectations of Sausalito, Great Expectations of Mountain View, and Great Expectations of Walnut Creek (collectively referred to as "GE-SFA"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its corporate office at 1943 Landings Dr., Mountain View, CA, and its principal places of business located at 2401 Marinship Way, Suite 100, Sausalito, CA, 2085 Landings Dr., Mountain View, CA, and 1280 Civic Dr., Suite 300, Walnut Creek, CA.

PAR. 20. G.E.C.H., Inc., doing business as Great Expectations of Cherry Hill ("GE Cherry Hill"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of New Jersey with its office and principal places of business located at One Cherry Hill, Suite 600, Cherry Hill, NJ.

PAR. 21. MWVE, Inc., doing business as Great Expectations of Cleveland ("GE Cleveland"), is 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 6300 Rockside Rd., Suite 200, Cleveland, OH.

PAR. 22. GREATEX Denver, Inc., doing business as Great Expectations Video Dating, Ltd. ("GE-Denver"), is a corporation organized, existing, and doing business under and by virtue of the



laws of the state of Washington, with its office and principal place of business located at 3773 Cherry Creek North Dr., Suite 140, Denver, CO.

PAR. 23. Sun West Video, Inc., doing business as Great Expectations for Singles ("GE Phoenix"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Arizona, with its office and principal place of business located at 5635 N. Scottsdale Rd., Suite 190, Scottsdale, AZ.

PAR. 24. TRIAAC Enterprises, Inc., doing business as Great Expectations of Sacramento ("GE Sacramento"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 2277 Fair Oaks Blvd., Suite 195, Sacramento, CA.

#### RESPONDENTS' COURSE OF BUSINESS

PAR. 25. GECM is a video dating franchisor. It sells and services franchise operations throughout the United States. As part of its regular course of business, GECM has created and disseminated retail installment contracts (Exhibits 1 and 2) to the franchises described in paragraphs two through twenty-four. The GECM retail installment contracts purport to incorporate the disclosures required by the TILA.

PAR. 26. Respondents Great Expectations are video dating franchises. Respondents have provided financing to their members using retail installment contracts such as Exhibits 1 and 2 to disclose the terms of the financing.

PAR. 27. GECM's TILA disclosure (Exhibit 1) contains erroneous instructions for calculating and disclosing the finance charge and contains a pre-printed annual percentage rate ("APR") of 18%. In addition, Exhibit 1 fails to make the TILA disclosures in the format required by the TILA and fails to identify the creditor as required by the TILA.

PAR. 28. In 1988, GECM learned from its auditor that the calculations and disclosures contained in Exhibit 1 did not comply with the TILA. Nevertheless, it continued to disseminate Exhibit 1 to its franchisees and failed to notify them of the erroneous calculations and disclosures.

PAR. 29. In late 1990, GECM created a new retail installment contract, which also purported to incorporate the disclosures required by the TILA and which contained a pre-printed APR of 19.6%.

(Exhibit 2). Exhibit 2 fails to identify the creditor as required by the TILA and fails to provide the information required by the TILA in the itemization of the amount financed. Furthermore, GECM has disseminated Exhibit 2 to its franchisees but has failed to inform them to discontinue using the erroneous calculation and disclosure instructions that it had previously supplied in Exhibit 1.

PAR. 30. Respondents Great Expectations are creditors as that term is defined in the TILA and Regulation Z.

PAR. 31. The acts and practices of respondents Great Expectations and GECM alleged in this complaint have been and are in or affecting commerce, as "commerce" is defined in Section 4 of the FTC Act.

#### COUNT I

PAR. 32. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 33. Respondent GECM has furnished its franchises with TILA disclosures (Exhibits 1 and 2) that, on their face, violated the TILA. When used by respondents Great Expectations, Exhibits 1 and 2 have resulted in false and misleading disclosures of APRs and finance charges to consumers in violation of Section 5 of the FTC Act.

PAR. 34. In the course and practice of its business as described in paragraphs twenty-five through twenty-nine, and paragraph thirty-three, respondent GECM has provided respondents Great Expectations with the means and instrumentalities to violate the Section 5 of the FTC Act.

PAR. 35. The practices described in paragraph thirty-four constitute unfair or deceptive acts or practices in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

#### COUNT II

PAR. 36. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 37. Respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-

SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to accurately calculate and disclose the APR.

PAR. 38. The practice described in paragraph thirty-seven by respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Sections 107(a) and (c) of the TILA, 15 U.S.C. 1606(a) and (c), and Sections 226.18(e) and 226.22 of Regulation Z, 12 CFR 226.18(e) and 226.22.

#### COUNT III

PAR. 39. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 40. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Columbus, GE Milwaukee, GE-SFA, GE Cleveland, GE Phoenix, GE Sacramento, and GE San Diego have furnished their members with TILA disclosures that have failed to accurately calculate and disclose the finance charge.

PAR. 41. The practice described in paragraph forty by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Columbus, GE Milwaukee, GE-SFA, GE Cleveland, GE Phoenix, GE Sacramento, and GE San Diego violates Section 106 of the TILA, 15 U.S.C. 1605, and Sections 226.4 and 226.18(d) of Regulation Z, 12 CFR 226.4 and 226.18(d).

#### COUNT IV

PAR. 42. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 43. Respondents GE Dallas, GE Houston, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, and GE Phoenix have furnished their members with TILA disclosures that have failed to disclose the finance charge more conspicuously than any other disclosure except the APR and the creditor's identity.

PAR. 44. The practice described in paragraph forty-three by respondents GE Dallas, GE Houston, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, and GE Phoenix violates Section 122(a) of the TILA, 15 U.S.C. 1632(a), and Section 226.17(a)(2) of Regulation Z, 12 CFR 226.17(a)(2).

## COUNT V

PAR. 45. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 46. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to segregate the disclosures required by the TILA from all other information provided in connection with the transaction, including the itemization of the amount financed.

PAR. 47. The practice described in paragraph forty-six by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(b)(1) of the TILA, 15 U.S.C. 1638(b)(1), and Section 226.17(a)(1) of Regulation Z, 12 CFR 226.17(a)(1).

## COUNT VI

PAR. 48. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 49. Respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have failed to accurately disclose the itemization of the amount financed.

PAR. 50. The practice described in paragraph forty-nine by respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE San

Complaint

120 F.T.C.

Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a) of the TILA, 15 U.S.C. 1638(a), and Section 226.18(c) of Regulation Z, 12 CFR 226.18(c).

## COUNT VII

PAR. 51. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 52. Respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have failed to disclose the identity of the creditor.

PAR. 53. The practice described in paragraph fifty-two by respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(1) of the TILA, 15 U.S.C. 1638(a)(1), and Section 226.18(a) of Regulation Z, 12 CFR 226.18(a).

## COUNT VIII

PAR. 54. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 55. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide a description of the amount financed.

PAR. 56. The practice described in paragraph fifty-five by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(8) of the TILA, 15 U.S.C. 1638(a)(8), and Section 226.18(b) of Regulation Z, 12 CFR 226.18(b).

PAR. 57. Respondents GE Dallas, GE Houston, E San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide a description of the finance charge.

PAR. 58. The practice described in paragraph fifty-seven by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(8) of the TILA, 15 U.S.C. 1638(a)(8), and Section 226.18(d) of Regulation Z, 12 CFR 226.18(d).

PAR. 59. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide a description of the APR.

PAR. 60. The practice described in paragraph fifty-nine by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(8) of the TILA, 15 U.S.C. 1638(a)(8), and Section 226.18(e) of Regulation Z, 12 CFR 226.18(e).

PAR. 61. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide the total of payments and/or a description of the total of payments.

PAR. 62. The practice described in paragraph sixty-one by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(5) and/or (8) of the TILA, 15 U.S.C. 1638(a)(5) and/or (8), and Section 226.18(h) of Regulation Z, 12 CFR 226.18(h).

PAR. 63. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE

Complaint

120 F.T.C.

Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide the total sale price and/or a description of the total sale price.

PAR. 64. The practice described in paragraph sixty-three by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(7) and/or (8) of the TILA, 15 U.S.C. 1638(a)(7), and/or (8), and Section 226.18(j) of Regulation Z, 12 CFR 226.18(j).

## COUNT IX

PAR. 65. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 66. Respondents GE Dallas, GE Houston, GE Phoenix, GE San Antonio, GE Austin, GE Baltimore, GE DC, and GE Raleigh have failed to include set-up or other fees that are charged only to consumers who finance the costs of their annual memberships in the finance charge and the annual percentage rate disclosed to the consumer. They have also failed to exclude disclosed to the consumer the amount financed that is disclosed these finance charges from to consumers.

PAR. 67. The practices described in paragraph sixty-six by respondents GE Dallas, GE Houston, GE Phoenix, GE San Antonio, GE Austin, GE Baltimore, GE DC, and GE Raleigh violate Sections 106, 107, and 128(a) of the TILA, 15 U.S.C. 1605, 1606, and 1638(a), and Sections 226.4(b), 226.22, and 226.18(b), (d), and (e) of Regulation Z, 12 CFR 226.4(b), 226.22, and 226.18(b), and (e).

## COUNT X

PAR. 68. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 69. Respondent GE San Diego has furnished its members with TILA disclosures that have failed to disclose the APR, the finance charge, the amount financed, the total of payments, and the total sales price.

PAR. 70. The practices described in paragraph sixty-nine by respondent GE San Diego violate Section 128(a) of the TILA, 15 U.S.C. 1638(a), and Section 226.18 of Regulation Z, 12 CFR 226.18.

COUNT XI

PAR. 71. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 72. Respondent GE Houston has furnished its members with TILA disclosures that have failed to disclose the amount financed.

PAR. 73. The practice described in paragraph seventy-two by respondent GE Houston violates Section 128(a) of the TILA, 15 U.S.C. 1638(a), and Section 226.18(b) of Regulation Z, 12 CFR 226.18(b).

COUNT XII

PAR. 74. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 75. Respondents GEI, GE Alabama, GE Illinois, GE Portland, GE Dallas, GE Houston, GE Cleveland, GE Phoenix, GE San Antonio, GE Austin, GE Seattle, GE Denver, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE SFA, GE Cherry Hill, GE Sacramento, GE DC, GE Baltimore, and GE Raleigh have disclosed understated APRs and finance charges to consumers that have resulted in consumers paying more in financing costs than the amount to which they originally agreed.

PAR. 76. The practices described in paragraph seventy-five are unfair or deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. 45(a).



Complaint

120 F.T.C.

EXHIBIT 1

Expectations

RETAIL INSTALLMENT CONTRACT

Name - Last	First	Middle	Age
[Redacted]	[Redacted]	[Redacted]	76
Present Address	City	State	Zip
[Redacted]	[Redacted]	CO	80010
Social Security #	Home Phone	How Long at This Address	How Long in Area
[Redacted]	[Redacted]	25 YRS	26 YRS
Employed By	Work Phone	Present Position	
[Redacted]	[Redacted]	[Redacted]	
Income All Sources	Annual	Driver's License	
[Redacted]	[Redacted]	[Redacted]	
Primary Bank Accounts	Checking	Balance	
Savings	[Redacted]	[Redacted]	
Credit Reference - Banks, Finance Co., Credit Unions	Open	Closed	Limit
USA			
First Interstate Bank	Open	Closed	Limit

The undersigned Great Expectations (Seller) hereby sells, and the undersigned buyer, hereinafter referred to as "Member" purchas-  
 subject to the provisions of this contract, a MEMBERSHIP in Great Expectations and promises to pay to Great Expectations its share  
 the TOTAL PAYMENTS (Box 8) in accordance with the Payment Schedule hereinafter set forth.

DESCRIPTION OF GOODS AND SERVICES SOLD:

Interviewing, Testing & Evaluating, Processing & Coding, Background check (if necessary), for the purpose of bringing in contact with  
 the purchaser (client) suitable individuals with similar likes and dislikes, this description intended to be partial only, the purchaser  
 acknowledges receipt of application form, which is made a part hereof as though set out at length.

READ CAREFULLY AND SIGN ONLY WHEN COMPLETELY UNDERSTOOD

Buyer has considered and evaluated the terms of membership as set forth in Great Expectations Membership Agreement dated  
 10/31/91 and requests financing of the balance due. Acceptance of the terms of both agreements renders null and void a  
 buyer's right to cancel previously provided.

I understand that my failure to participate in Great Expectations does not release me of my obligation to pay this contract in  
 regardless of the circumstances. I understand that by signing this Agreement I am a Member of Great Expectations.

MEMBER SIGNATURE X [Redacted]

NOTICE TO MEMBER: Upon request, Great Expectations must provide or make available for your examination a statement of its  
 showing how the partial refund of the time price charge is to be computed if any balance of the contract should be prepaid. Member  
 (Buyer) and Great Expectations (Seller) agree that the terms and conditions on the Member's Contract for Membership constitute  
 part of this contract and are incorporated herein by reference. If due to delinquency, it is necessary to refer this account  
 collection, then the balance due shall include actual attorney's fee and court costs. In the event Member fails to pay any installment  
 payment when due, the entire balance then owing shall immediately become due and payable, without notice, at the option of Gr  
 Expectations, or assignee, and Great Expectations shall not be required to provide any services to Member until Member's paym  
 account is made current. If more than one person signs this contract then their obligation shall be joint and several.

ITEMIZATION OF THE AMOUNT FINANCED

1. Cash Price	1595	BALANCE	10. ANNUAL PERCENTAGE RATE	18%
2. Other	0	1595	11. PAYMENT SCHEDULE:	
3. Down Payment	300	1295	5	Succession monthly installments of \$ 23
4. Paid (11/14/91) Second Interview	100	1195	12/15/91	and on
5. Other Payments Due (11/30/91)	100	1095		and on
6. Amt. Financed (Unpaid Bal. of Cash Price #3)	1095	1095		and on
7. Finance Charge @ 18% = 15% of 5 no. of payments	82.13			and on
8. Total Payments (Bal. + 7)	1177.13			and on
9. Deferred Payment Price (Bal. #2 + #7)	1677.13			and on

DIVIDE by number of payments to calculate  
 each installment and summarize on #11.

Notice to Buyer: (1) Do not sign this agreement before you read it or if it contains any blank spaces to be filled in. (2) You  
 omitted to a completely filled-in copy of this agreement. (3) You can prepay the full amount due under this agreement at any  
 (4) If you desire to pay off in advance the full amount due, the amount which is outstanding will be furnished upon request.

SELLER Great Expectations

Signature of Member X [Redacted]

Business Address: 3773 Cherry Creek N. Dr. Suite 100  
 Denver, CO 8007

Member (Buyer) acknowledges receipt of an exact copy of  
 instrument at the time of its execution. Member (Buyer) also  
 acknowledges that the blanks in this contract were completed  
 prior to signing the contract.

Authorized Signature of Member X [Redacted]

Exhibit

Complaint

EXHIBIT 2



RETAIL INSTALLMENT CONTRACT

Form with fields for Name (Last, First, Middle, Age), Present address, City, State, Zip, Social Security #, Home Phone, How Long At This Address, Date of Birth, Employer Name and Address, Work Phone, Present Position, Home All Services Month, Annual, Driver's License #, Primary Bank Accounts Savings, Checking, Home, ACCOUNT #.

The undersigned Great Expectations (Seller) hereby sells, and the undersigned buyer (Member) purchases, subject to the provisions of this CONTRACT MEMBERSHIP in Great Expectations and promises to pay to Great Expectations or its assigns the TOTAL PAYMENTS in accordance with the Schedule hereinafter set forth.

DESCRIPTION OF GOODS AND SERVICES SOLD: Interviewing, Evaluating, Processing & Coding, Background Check (if necessary) and The Video Library for the purpose of giving Member access to a Video Library of potentially suitable individuals with similar backgrounds and skills, this is intended to be serial only.

READ CAREFULLY AND SIGN ONLY WHEN COMPLETELY UNDERSTOOD

I have read and understand the terms of membership as set forth in the Great Expectations Membership Agreement dated... and hereby financing of the business deal. I understand that my failure to purchase in Great Expectations does not relieve me of my obligation to contract in full. I understand that by signing this Contract, and the Membership Agreement, I am a Member of Great Expectations.

MEMBER SIGNATURE X
NOTICE TO MEMBER: Upon request, Great Expectations must provide or make available for your examination a statement or table showing how the terms of the price change is to be computed if any balance of the Contract should be prepaid. Member (Buyer) and Great Expectations (Seller) agree that the terms and conditions of the Great Expectations Membership Agreement constitute a part of this Contract and are incorporated herein by reference. The undersigned Member does to any other installment payments return due, the same business (less any unrecouped Finance Charge) from being that in becoming due and payable, without demand or notice, at the option of Great Expectations or assignee, and Great Expectations shall not be required to provide to Member until Member's payments account is made current.

PURCHASE PRICE: \$... payable in accordance with the Statement of Disclosure below.
PAYMENT SCHEDULE: Member's payments hereunder shall be in equal successive monthly installments commencing on the... day month after execution of this Contract and continuing on the same day of each month thereafter until paid in full. Interest on the unpaid balance shall be both prior and after maturity.

FEDERAL TRUTH IN LENDING DISCLOSURES (Statement of Disclosure) table with columns: ANNUAL PERCENTAGE RATE, FINANCE CHARGE, AMOUNT FINANCED, TOTAL OF PAYMENTS, TOTAL SALES PRICE. Includes text: You the Buyer have the right to rescind at this time on completion of the amount financed. ( ) I want an installment, ( ) I do not want an installment. Your payment schedule will be:
DELINQUENCY AND COLLECTION CHARGES: If Buyer shall fail or neglect to pay any installment payment when the same shall become due and such failure or neglect shall continue for a period of more than ten (10) days, then in addition to the amount of such delinquent installment payment the Buyer shall pay to Seller, as a delinquency and collection charge, an amount equal to 5% of such payment except that such charge shall not exceed \$5.00 or be less than \$1.00.
PREPAYMENT: If you pay off early, you will not have to pay a penalty and you may be entitled to a refund of part of the finance charge. See your Great Expectations Membership Agreement for any additional information about non-payment, default, any required repayment in full before the scheduled date and prepayments, refunds and penalties.

ITEMIZATION OF AMOUNT FINANCED table with 5 rows: 1. Total Cash Price, 2. Less Delinquency, 3. Amount Financed, 4. Finance Charge, 5. Total of Payments. Includes text: Prepayment Rate, Buyer may prepay or all of the unpaid without penalty or payment in full but be entitled to a refund of the amount of the Finance charge... Should the buyer default in the payment of any installment hereunder shall pay to Seller all actual and reasonable costs of collection including reasonable Attorney fees and disbursements. Buyer will pay to the Seller a \$10.00 charge for every delinquency over installment. Should any term herein be invalid or unenforceable, the remaining shall be unimpaired by such finding.

NOTICE TO BUYER:
1. Do not sign this agreement before you read it or if it any blank spaces to be filled in.
2. You are entitled to a completely filled in copy agreement.
3. You can prepay the full amount due under this ag at any time.
4. If you desire to pay off in advance the full amount amount which is outstanding will be furnished on re

Seller: GREAT EXPECTATIONS
Business Address:
City & State:
Authorized Signature:

Member (Buyer) acknowledges receipt of an exact copy of this in the time of its execution. Member (Buyer) further acknowledges terms in this Contract were explained and filed-in and that she has understood contained herein prior to signing this Contract.
Signature of Member X

## DECISION ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of respondents Great Expectations of Baltimore, Inc., Great Expectations of Washington, D.C., Inc., and Great Expectations of Washington, Inc., corporations, and respondents having been furnished thereafter with a copy of the draft of complaint that the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violations of Section 5(a) of the Federal Trade Commission Act and the Truth in Lending Act; and

The respondents, their attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that respondents have violated the said Acts, and that a complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Great Expectations of Baltimore, Inc. ("GE Baltimore") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Virginia, with its office and principal place of business located at 40 York Rd., Suite 500, Towson, MD.

2. Great Expectations of Washington, D.C., Inc. ("GE DC") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Maryland, with its office and principal place of business located at 8601 Westwood Center Dr., Vienna, VA.

3. Great Expectations of Washington, Inc., doing business as Great Expectations of Raleigh/Durham ("GE Raleigh"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Maryland, with its office and principal place of business located at 3714 Benson Dr., Suite 200, Raleigh, NC.

4. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

#### ORDER

##### I.

*It is ordered, That:*

A. Respondents GE Baltimore, GE DC, and GE Raleigh, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to accurately calculate and disclose the annual percentage rate, as required by Sections 107(a) and (c) of the TILA, 15 U.S.C. 1606(a) and (c), and Sections 226.18(e) and 226.22 of Regulation Z, 12 CFR 226.18(e) and 226.22;

B. Respondents GE Baltimore, GE DC, and GE Raleigh, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to accurately calculate and disclose the finance charge, as required by Section 106 of the TILA, 15 U.S.C. 1605, and Sections 226.4 and 226.18(d) of Regulation Z, 12 CFR 226.4 and 226.18(d);

C. Respondents GE Baltimore, GE DC, and GE Raleigh, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to segregate the disclosures required by the TILA from all other information provided in connection with the transaction, including from the itemization of the amount financed, as required by Section 128(b)(1) of the TILA, 15 U.S.C. 1638(b)(1), and Section 226.17(a) of Regulation Z, 12 CFR 226.17(a);

D. Respondents GE Baltimore, GE DC, and GE Raleigh, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to make all disclosures in the manner, form, and amount required by Sections 122 and 128(a) of the TILA, 15 U.S.C. 1632 and 1638(a), and Sections 226.17 and 226.18 of Regulation Z, 12 CFR 226.17 and 226.18;

E. Respondents GE Baltimore, GE DC, and GE Raleigh, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from:

1. Failing to include, in the finance charge and the annual percentage rate disclosed to the consumer, set-up or other fees that are charged only to consumers who finance the costs of their memberships, as required by Sections 106, 107, and 128 of the TILA, 15 U.S.C. 1605, 1606, and 1638, and Sections 226.4(b), 226.22, and 226.18(d) and (e) of Regulation Z, 12 CFR 226.4(b), 226.22, and 226.18(d) and (e); and

2. Failing to exclude, from the amount financed disclosed to the consumer, set-up or other fees that are charged only to consumers who finance the costs of their memberships, as required by Section 128 of the Truth in Lending Act, 15 U.S.C. 1638(a) and Section 226.18(b) of Regulation Z, 12 CFR 226.18(b); and

F. Respondents GE Baltimore, GE DC, and GE Raleigh, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to comply with the TILA, 15 U.S.C. 1601 *et seq.*, and Regulation Z, 12 CFR 226.

## II.

## REFUND PROGRAM

*It is further ordered, That:*

A. Within thirty (30) days following the date of service of this order, respondents shall:

1. Determine to whom respondents disclosed on the original TILA disclosure an annual percentage rate that was miscalculated by more than one quarter of one percentage point below the annual percentage rate determined in accordance with Section 226.22 of Regulation Z, 12 CFR 226.22, or that disclosed a finance charge that was miscalculated by more than one dollar below the finance charge determined in accordance with Section 226.4 of Regulation Z, 12 CFR 226.4, so that each such person will not be required to pay a finance charge in excess of the finance charge actually disclosed or the dollar equivalent of the annual percentage rate actually disclosed, whichever is lower, plus a tolerance of one quarter of one percentage point;

2. Calculate a lump sum refund and a monthly payment adjustment, if applicable, in accordance with Section 108(e) of the TILA, 15 U.S.C. 1607(e);

3. Mail a refund check to each eligible consumer in the amount determined above, along with Attachment 1; and

4. Provide the Federal Trade Commission with a list of each such consumer, the amount of the refund, the number of payments refunded, the amount of adjustment for future payments and the number of future payments to be adjusted.

B. No later than fifteen (15) days following the date of service of this order, respondents shall provide the Federal Trade Commission with the name and address of three independent accounting firms, with which they, their officers, employees, attorneys, agents, and franchisees have no business relationship. Staff for the Division of Credit Practices of the FTC shall then have the sole discretion to choose one of the firms ("independent agent") and so advise respondents;

C. Within thirty (30) days following the date of adjustments made pursuant to this section, respondents shall direct the independent agent to review a statistically-valid sample of refunds. Respondents shall provide the Federal Trade Commission with a certified letter from the independent agent confirming that respondents have complied with Part II.A. of this order;

D. All costs associated with the administration of the refund program and payment of refunds shall be borne by the respondents.

### III.

*It is further ordered,* That respondents, their successors and assigns, shall maintain for at least five (5) years from the date of service of this order and, upon thirty (30) days advance written request, make available to the Federal Trade Commission for inspection and copying all documents and other records necessary to demonstrate fully their compliance with this order.

### IV.

*It is further ordered,* That respondents, their successors and assigns, shall distribute a copy of this order to any present or future officers and managerial employees having responsibility with respect to the subject matter of this order and that respondents, their successors and assigns, shall secure from each such person a signed statement acknowledging receipt of said order.

### V.

*It is further ordered,* That respondents, for a period of five (5) years following the date of service of this order, shall promptly notify the Commission at least thirty (30) days prior to any proposed change in their corporate structure such as dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or affiliates, or any other change in the corporation that may affect compliance obligations arising out of the order.

VI.

*It is further ordered, That respondents shall, within one hundred and eighty (180) days of the date of service of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.*

ATTACHMENT 1

Dear Great Expectations Customer:

As part of our settlement with the Federal Trade Commission for alleged violations of the Truth in Lending Act, we are sending you the enclosed refund check in the amount of \$\*\*\*\*\*. The refund represents the amount you were overcharged as a result of errors made by Great Expectations in calculating or disclosing the annual percentage rate or finance charge.

[In addition, your future monthly payments have been reduced. Starting immediately, your monthly payments will be \$\*\*\*\*\*.]

We regret any inconvenience this may have caused you.

Great Expectations



Complaint

120 F.T.C.

IN THE MATTER OF

KGE, INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF  
THE TRUTH IN LENDING ACT AND SEC. 5 OF THE  
FEDERAL TRADE COMMISSION ACT*Docket C-3601. Complaint, Aug. 11, 1995--Decision, Aug. 11, 1995*

This consent order requires, among other things, a video dating service franchise to properly and accurately disclose the annual percentage rate ("APR") and other credit terms of financed memberships, as required by the federal Truth in Lending Act, and requires the franchise to establish adjustment refund programs to compensate its past and current members who overpaid finance charges.

*Appearances*

For the Commission: *Stephen Cohen and Judy Nixon.*

For the respondent: *Gary S. Vandeweghe, Rankin, Luckhardt, Vandeweghe, Landsness & Lahde, San Jose, CA.*

## COMPLAINT

The Federal Trade Commission, having reason to believe that Great Expectations Creative Management, Inc. has violated the Federal Trade Commission Act ("FTC Act"), and that Great Expectations, Inc., GEC Illinois, Inc., GEC Tennessee, Inc., GEC Alabama, Inc., Great Southern Video, Inc., New West Video Enterprises, Inc., San Antonio Singles of Texas, Inc., Austin Singles of Texas, Inc., Great Expectations of Baltimore, Inc., Great Expectations of Washington, D.C., Inc., Great Expectations of Washington, Inc., Sterling Connections, Inc., Private Eye Productions, Inc., Great Expectations - Columbus, Inc., JAMS Financial, Inc., V.L.P. Enterprises, Inc., APM Enterprises - Minn Inc., KGE, Inc., G.E.C.H., Inc., MWVE, Inc., GREATEX Denver, Inc., Sun West Video, Inc., and TRIAAC Enterprises, Inc. (hereinafter sometimes referred to collectively as "Great Expectations") have violated the Truth in Lending Act ("TILA"), its implementing Regulation Z, and the FTC Act, and it appearing to the

Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues this complaint, and alleges as follows:

PARAGRAPH 1. Great Expectations Creative Management, Inc. ("GECM") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 16830 Ventura Blvd., Suite P, Encino, CA.

PAR. 2. Great Expectations, Inc. ("GEI") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its corporate office at 16830 Ventura Blvd., Suite P, Encino, CA, and its principal places of business located at 1640 S. Sepulveda Blvd., Suite 100, Los Angeles, CA, 17207 Ventura Blvd., Encino, CA, and 450 N. Mountain, Suite B, Upland, CA.

PAR. 3. GEC Illinois, Inc. ("GE Illinois") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Illinois, with its office and principal place of business located at 1701 E. Woodfield Dr., Suite 400, Schaumburg, IL.

PAR. 4. GEC Tennessee, Inc. ("GE Tennessee") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 5552 Franklin Rd., Suite 200, Nashville, TN.

PAR. 5. GEC Alabama, Inc. ("GE Alabama") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Alabama, with its office and principal place of business located at 7529 S. Memorial Pkwy., Suite C & D, Huntsville, AL.

PAR. 6. Great Southern Video, Inc., doing business as Great Expectations of Dallas ("GE Dallas"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its office and principal place of business located at 14180 Dallas Pkwy., Suite 100, Dallas, TX.

PAR. 7. New West Video Enterprises, Inc., doing business as Great Expectations of Houston ("GE Houston"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its office and principal place of business located at 50 Briarhollow, Suite 100, Houston, TX.

PAR. 8. San Antonio Singles of Texas, Inc., doing business as Great Expectations of San Antonio ("GE San Antonio"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its corporate office at 10497 Town & Country Way, Suite 214, Houston, TX, and its principal place of business located at 8131 I.H. 10 West, Suite 225, San Antonio, TX.

PAR. 9. Austin Singles of Texas, Inc., doing business as Great Expectations of Austin ("GE Austin"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its corporate office at 10497 Town & Country Way, Suite 214, Houston, TX, and its principal place of business located at 9037 Research Blvd., Suite 130, Austin, TX.

PAR. 10. Great Expectations of Baltimore, Inc. ("GE Baltimore") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Virginia, with its office and principal place of business located at 40 York Rd., Suite 500, Towson, MD.

PAR. 11. Great Expectations of Washington, D.C., Inc. ("GE DC") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Maryland, with its office and principal place of business located at 8601 Westwood Center Dr., Vienna, VA.

PAR. 12. Great Expectations of Washington, Inc., doing business as Great Expectations of Raleigh/Durham ("GE Raleigh"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Maryland, with its office and principal place of business located at 3714 Benson Dr., Suite 200, Raleigh, NC.

PAR. 13. Sterling Connections, Inc., doing business as Great Expectations of Seattle ("GE Seattle"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Oregon, with its office and principal place of business located at 305 108th Ave., N.E., Suite 205, Bellevue, WA.

PAR. 14. Private Eye Productions, Inc., doing business as Great Expectations of Portland ("GE Portland"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Oregon, with its office and principal place of business located at 5531 S.W. Macadam Ave., Suite 225, Portland, OR.

PAR. 15. Great Expectations - Columbus, Inc. ("GE Columbus") is a corporation organized, existing, and doing business under and by

virtue of the laws of the state of Ohio, with its corporate office at 11835 W. Olympic Blvd., Suite 490, Los Angeles, CA, and its principal place of business located at 1103 Schrock Rd., Suite 101, Columbus, OH.

PAR. 16. JAMS Financial, Inc., doing business as Great Expectations of Milwaukee ("GE Milwaukee"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Wisconsin, with its corporate office at 11835 W. Olympic Blvd., Suite 490, Los Angeles, CA, and its principal place of business located at 16650 W. Bluemound, Suite 100, Brookfield, WI.

PAR. 17. V.L.P. Enterprises, Inc., doing business as Great Expectations of San Diego ("GE San Diego"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 3465 Camino Del Rio South, Suite 300, San Diego, CA.

PAR. 18. APM Enterprises - Minn Inc., doing business as Great Expectations of Minneapolis ("GE Minneapolis"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Illinois, with its office and principal place of business located at 3300 Edinborough Way, Suite 300, Edina, MN.

PAR. 19. KGE, Inc., doing business as Great Expectations of Sausalito, Great Expectations of Mountain View, and Great Expectations of Walnut Creek (collectively referred to as "GE-SFA"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its corporate office at 1943 Landings Dr., Mountain View, CA, and its principal places of business located at 2401 Marinship Way, Suite 100, Sausalito, CA, 2085 Landings Dr., Mountain View, CA, and 1280 Civic Dr., Suite 300, Walnut Creek, CA.

PAR. 20. G.E.C.H., Inc., doing business as Great Expectations of Cherry Hill ("GE Cherry Hill"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of New Jersey with its office and principal places of business located at One Cherry Hill, Suite 600, Cherry Hill, NJ.

PAR. 21. MWVE, Inc., doing business as Great Expectations of Cleveland ("GE Cleveland"), is 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 6300 Rockside Rd., Suite 200, Cleveland, OH.

PAR. 22. GREATEX Denver, Inc., doing business as Great Expectations Video Dating, Ltd. ("GE-Denver"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Washington, with its office and principal place of business located at 3773 Cherry Creek North Dr., Suite 140, Denver, CO.

PAR. 23. Sun West Video, Inc., doing business as Great Expectations for Singles ("GE Phoenix"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Arizona, with its office and principal place of business located at 5635 N. Scottsdale Rd., Suite 190, Scottsdale, AZ.

PAR. 24. TRIAAC Enterprises, Inc., doing business as Great Expectations of Sacramento ("GE Sacramento"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 2277 Fair Oaks Blvd., Suite 195, Sacramento, CA.

#### RESPONDENTS' COURSE OF BUSINESS

PAR. 25. GECM is a video dating franchisor. It sells and services franchise operations throughout the United States. As part of its regular course of business, GECM has created and disseminated retail installment contracts (Exhibits 1 and 2) to the franchises described in paragraphs two through twenty-four. The GECM retail installment contracts purport to incorporate the disclosures required by the TILA.

PAR. 26. Respondents Great Expectations are video dating franchises. Respondents have provided financing to their members using retail installment contracts such as Exhibits 1 and 2 to disclose the terms of the financing.

PAR. 27. GECM's TILA disclosure (Exhibit 1) contains erroneous instructions for calculating and disclosing the finance charge and contains a pre-printed annual percentage rate ("APR") of 18%. In addition, Exhibit 1 fails to make the TILA disclosures in the format required by the TILA and fails to identify the creditor as required by the TILA.

PAR. 28. In 1988, GECM learned from its auditor that the calculations and disclosures contained in Exhibit 1 did not comply with the TILA. Nevertheless, it continued to disseminate Exhibit 1

to its franchisees and failed to notify them of the erroneous calculations and disclosures.

PAR. 29. In late 1990, GECM created a new retail installment contract, which also purported to incorporate the disclosures required by the TILA and which contained a pre-printed APR of 19.6%. (Exhibit 2). Exhibit 2 fails to identify the creditor as required by the TILA and fails to provide the information required by the TILA in the itemization of the amount financed. Furthermore, GECM has disseminated Exhibit 2 to its franchisees but has failed to inform them to discontinue using the erroneous calculation and disclosure instructions that it had previously supplied in Exhibit 1.

PAR. 30. Respondents Great Expectations are creditors as that term is defined in the TILA and Regulation Z.

PAR. 31. The acts and practices of respondents Great Expectations and GECM alleged in this complaint have been and are in or affecting commerce, as "commerce" is defined in Section 4 of the FTC Act.

#### COUNT I

PAR. 32. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 33. Respondent GECM has furnished its franchises with TILA disclosures (Exhibits 1 and 2) that, on their face, violated the TILA. When used by respondents Great Expectations, Exhibits 1 and 2 have resulted in false and misleading disclosures of APRs and finance charges to consumers in violation of Section 5 of the FTC Act.

PAR. 34. In the course and practice of its business as described in paragraphs twenty-five through twenty-nine, and paragraph thirty-three, respondent GECM has provided respondents Great Expectations with the means and instrumentalities to violate the Section 5 of the FTC Act.

PAR. 35. The practices described in paragraph thirty-four constitute unfair or deceptive acts or practices in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

#### COUNT II

PAR. 36. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 37. Respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to accurately calculate and disclose the APR.

PAR. 38. The practice described in paragraph thirty-seven by respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Sections 107(a) and (c) of the TILA, 15 U.S.C. 1606(a) and (c), and Sections 226.18(e) and 226.22 of Regulation Z, 12 CFR 226.18(e) and 226.22.

#### COUNT III

PAR. 39. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 40. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Columbus, GE Milwaukee, GE-SFA, GE Cleveland, GE Phoenix, GE Sacramento, and GE San Diego have furnished their members with TILA disclosures that have failed to accurately calculate and disclose the finance charge.

PAR. 41. The practice described in paragraph forty by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Columbus, GE Milwaukee, GE-SFA, GE Cleveland, GE Phoenix, GE Sacramento, and GE San Diego violates Section 106 of the TILA, 15 U.S.C. 1605, and Sections 226.4 and 226.18(d) of Regulation Z, 12 CFR 226.4 and 226.18(d).

#### COUNT IV

PAR. 42. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 43. Respondents GE Dallas, GE Houston, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, and GE Phoenix have furnished their members with TILA disclosures that have failed to disclose the finance charge more conspicuously than any other disclosure except the APR and the creditor's identity.

PAR. 44. The practice described in paragraph forty-three by respondents GE Dallas, GE Houston, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, and GE Phoenix violates Section 122(a) of the TILA, 15 U.S.C. 1632(a), and Section 226.17(a)(2) of Regulation Z, 12 CFR 226.17(a)(2).

#### COUNT V

PAR. 45. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 46. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to segregate the disclosures required by the TILA from all other information provided in connection with the transaction, including the itemization of the amount financed.

PAR. 47. The practice described in paragraph forty-six by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(b)(1) of the TILA, 15 U.S.C. 1638(b)(1), and Section 226.17(a)(1) of Regulation Z, 12 CFR 226.17(a)(1).

#### COUNT VI

PAR. 48. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 49. Respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento



have failed to accurately disclose the itemization of the amount financed.

PAR. 50. The practice described in paragraph forty-nine by respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a) of the TILA, 15 U.S.C. 1638(a), and Section 226.18(c) of Regulation Z, 12 CFR 226.18(c).

#### COUNT VII

PAR. 51. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 52. Respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have failed to disclose the identity of the creditor.

PAR. 53. The practice described in paragraph fifty-two by respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(1) of the TILA, 15 U.S.C. 1638(a)(1), and Section 226.18(a) of Regulation Z, 12 CFR 226.18(a).

#### COUNT VIII

PAR. 54. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 55. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide a description of the amount financed.

PAR. 56. The practice described in paragraph fifty-five by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(8) of the TILA, 15 U.S.C. 1638(a)(8), and Section 226.18(b) of Regulation Z, 12 CFR 226.18(b).

PAR. 57. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide a description of the finance charge.

PAR. 58. The practice described in paragraph fifty-seven by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(8) of the TILA, 15 U.S.C. 1638(a)(8), and Section 226.18(d) of Regulation Z, 12 CFR 226.18(d).

PAR. 59. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide a description of the APR.

PAR. 60. The practice described in paragraph fifty-nine by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(8) of the TILA, 15 U.S.C. 1638(a)(8), and Section 226.18(e) of Regulation Z, 12 CFR 226.18(e).

PAR. 61. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide the total of payments and/or a description of the total of payments.

PAR. 62. The practice described in paragraph sixty-one by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin,

Complaint

120 F.T.C.

GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(5) and/or (8) of the TILA, 15 U.S.C. 1638(a)(5) and/or (8), and Section 226.18(h) of Regulation Z, 12 CFR 226.18(h).

PAR. 63. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide the total sale price and/or a description of the total sale price.

PAR. 64. The practice described in paragraph sixty-three by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(7) and/or (8) of the TILA, 15 U.S.C. 1638(a)(7) and/or (8), and Section 226.18(j) of Regulation Z, 12 CFR 226.18(j).

## COUNT IX

PAR. 65. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 66. Respondents GE Dallas, GE Houston, GE Phoenix, GE San Antonio, GE Austin, GE Baltimore, GE DC, and GE Raleigh have failed to include set-up or other fees that are charged only to consumers who finance the costs of their memberships in the finance charge and the annual percentage rate disclosed to the consumer. They have also failed to exclude these finance charges from the amount financed that is disclosed to consumers.

PAR. 67. The practices described in paragraph sixty-six by respondents GE Dallas, GE Houston, GE Phoenix, GE San Antonio, GE Austin, GE Baltimore, GE DC, and GE Raleigh violate Sections 106, 107, and 128(a) of the TILA, 15 U.S.C. 1605, 1606, and 1638(a), and Sections 226.4(b), 226.22, and 226.18(b), (d), and (e) of Regulation Z, 12 CFR 226.4(b), 226.22, and 226.18(b), (d), and (e).

## COUNT X

PAR. 68. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 69. Respondent GE San Diego has furnished its members with TILA disclosures that have failed to disclose the APR, the finance charge, the amount financed, the total of payments, and the total sales price.

PAR. 70. The practices described in paragraph sixty-nine by respondent GE San Diego violate Section 128(a) of the TILA, 15 U.S.C. 1638(a), and Section 226.18 of Regulation Z, 12 CFR 226.18.

## COUNT XI

PAR. 71. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 72. Respondent GE Houston has furnished its members with TILA disclosures that have failed to disclose the amount financed.

PAR. 73. The practice described in paragraph seventy-two by respondent GE Houston violates Section 128(a) of the TILA, 15 U.S.C. 1638(a), and Section 226.18(b) of Regulation Z, 12 CFR 226.18(b).

## COUNT XII

PAR. 74. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 75. Respondents GEI, GE Alabama, GE Illinois, GE Portland, GE Dallas, GE Houston, GE Cleveland, GE Phoenix, GE San Antonio, GE Austin, GE Seattle, GE Denver, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE SFA, GE Cherry Hill, GE Sacramento, GE DC, GE Baltimore, and GE Raleigh have disclosed understated APRs and finance charges to consumers that have resulted in consumers paying more in financing costs than the amount to which they originally agreed.

PAR. 76. The practices described in paragraph seventy-five are unfair or deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. 45(a).

EXHIBIT 1

Expectations

RETAIL INSTALLMENT CONTRACT

Name - Last	First	Middle	Age
[Redacted]	[Redacted]	[Redacted]	26
Present Address	City	State	Zip
[Redacted]	[Redacted]	CO	80010
Social Security #	Home Phone	How Long At This Address	How Long in Area
[Redacted]	[Redacted]	2 1/2 YRS	26 YRS
Employed By	Work Phone	Present Position	
[Redacted]	[Redacted]	[Redacted]	
Income All Sources	Annual	Driver's License #	
[Redacted]	[Redacted]	[Redacted]	
Primary Bank Accounts			
Savings <input checked="" type="checkbox"/> Balance [Redacted]		Checking <input checked="" type="checkbox"/> Balance [Redacted]	
Credit Reference - Banks, Finance Co., Credit Unions		Open <input type="checkbox"/> Closed <input type="checkbox"/> Limit	
115A			

1 FIRST INTERSTATE Bank Open  Closed  Limit

The undersigned Great Expectations (Seller) hereby sells, and the undersigned Buyer, hereinafter referred to as "Member" purchases SUBJECT TO THE PROVISIONS OF THIS CONTRACT, A MEMBERSHIP IN Great Expectations and promises to pay to Great Expectations the TOTAL PAYMENTS (Box 8) in accordance with the Payment Schedule hereinafter set forth.

DESCRIPTION OF GOODS AND SERVICES SOLD:  
Interviewing, Testing & Evaluating, Processing & Coding, Background check (if necessary), for the purpose of bringing in contact with the purchaser (client) suitable individuals with similar likes and dislikes, this description intended to be partial only. The purchaser acknowledges receipt of application form, which is made a part hereto as though set out at length.

READ CAREFULLY AND SIGN ONLY WHEN COMPLETELY UNDERSTOOD  
Buyer has considered and evaluated the terms of membership as set forth in Great Expectations Membership Agreement dated 10/31/91 and requests financing of the balance due. Acceptance of the terms of both agreements renders null and void a Buyer's right to cancel previously provided.

I understand that my failure to participate in Great Expectations does not release me of my obligation to pay this contract in full, regardless of the circumstances. I understand that by signing this Agreement I am a Member of Great Expectations.

MEMBER SIGNATURE X [Redacted]

NOTICE TO MEMBER: Upon request, Great Expectations must provide or make available for your examination a statement or tab showing how the partial refund of the time price charge is to be computed if any balance of the contract should be prepaid. Member (Buyer) and Great Expectations (Seller) agree that the terms and conditions on the Member's Contract for Membership constitute part of this contract and are incorporated herein by reference. If due to delinquency, it is necessary to refer this account to collection, then the balance due shall include actual attorney's fee and court costs. In the event Member fails to pay any installment payment when due, the entire balance then owing shall immediately become due and payable, without notice, at the option of Great Expectations or assignee, and Great Expectations shall not be required to provide any services to Member until Member's payment account is made current. If more than one person signs this contract then their obligation shall be joint and several.

ITEMIZATION OF THE AMOUNT FINANCED		ANNUAL PERCENTAGE RATE 18%	
1. Cash Price	1595	BALANCE	1095
2. Other	- 0		1095
3. Down Payment	- 300		1295
4. Paid (11/14/91) Second Interview	- 100		1195
5. Other Payments Due (11/30/91)	100		1095
6. Amt. Financed (Unpaid Bal. of Cash Price #3)	1095		1095
7. Finance Charge @ Bal. x 18% x (5) no. of payments			82.13
8. Total Payments (Bal. & 7)			1177.13
9. Deferred Payment Price (Bal. #2 + #7)	1677.13		

DIVIDE by number of payments to calculate each installment and summarize on #11.

NOTICE TO BUYER: (1) Do not sign this agreement before you read it or if it contains any blank spaces to be filled in. (2) You are entitled to a complete handwritten copy of this agreement. (3) You can prepay the full amount due under this agreement at any time. (4) If you desire to pay off in advance the full amount due, the amount which is outstanding will be furnished upon request.

SELLER Great Expectations  
Business Address: 3773 Cherry Creek N. Dr. #400  
City & State: Denver CO 8007  
Authorized Signature: [Redacted]  
Signature of Member X [Redacted]

Complaint  
EXHIBIT 2



RETAIL INSTALLMENT CONTRACT

DATE \_\_\_\_\_

Name Last \_\_\_\_\_ First \_\_\_\_\_ Middle \_\_\_\_\_ Age \_\_\_\_\_

Present Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Social Security # \_\_\_\_\_ Home Phone \_\_\_\_\_ How Long At This Address \_\_\_\_\_ Date of Birth \_\_\_\_\_

Employed By Name and Address \_\_\_\_\_ Work Phone \_\_\_\_\_ Present Position \_\_\_\_\_

Home All Services \_\_\_\_\_ Annual \_\_\_\_\_ Driver's License # \_\_\_\_\_

Primary Bank Accounts \_\_\_\_\_  
Savings  Name \_\_\_\_\_ Checking  Name \_\_\_\_\_  
Accessible  Accessible

The undersigned Great Expectations (Seller) hereby sells, and the undersigned buyer (Member) purchases, subject to the provisions of this MEMBERSHIP in Great Expectations and promises to pay to Great Expectations or its assigns the TOTAL PAYMENTS in accordance with the Schedule hereinafter set forth.

DESCRIPTION OF GOODS AND SERVICES SOLD: Interviewing, Evaluating, Processing & Coding, Background Check (if necessary) and P-Video Library for the purpose of giving Member access to a Video Library of potentially suitable individuals with similar files and databases, the proceeds to be shared only.

READ CAREFULLY AND SIGN ONLY WHEN COMPLETELY UNDERSTOOD

I have considered and evaluated the terms of membership as set forth in the Great Expectations Membership Agreement dated \_\_\_\_\_ and received financing of the business due. I understand that my failure to participate in Great Expectations does not relieve me of my obligation under this contract. I understand that by signing this Contract, and the Membership Agreement, I am a Member of Great Expectations.

MEMBER SIGNATURE: X \_\_\_\_\_

NOTICE TO MEMBER: Upon request, Great Expectations must provide or make available for your examination a statement or table showing how the kind of the time price change is to be computed if any balance of the Contract should be prepaid. Member (Buyer) and Great Expectations (Seller) agree that the terms and conditions of the Great Expectations Membership Agreement constitute a part of this Contract and are incorporated herein by reference. In the event Member fails to pay any installment payment when due, the entire balance (less any unreturned Finance Charge) then owing shall be deemed due and payable, without demand or notice, at the option of Great Expectations or assignee, and Great Expectations shall not be required to provide any services to Member until Member's payment account is made current.

PURCHASE PRICE: \$ \_\_\_\_\_ payable in accordance with the Statement of Disclosure below.

PAYMENT SCHEDULE: Member's payments hereunder shall be in equal successive monthly installments commencing on the \_\_\_\_\_ day of \_\_\_\_\_ month after execution of this Contract and continuing on the same day of each month thereafter until paid in full. Interest on the unpaid balance shall both prior and after maturity.

**FEDERAL TRUTH IN LENDING DISCLOSURES**  
(Statement of Disclosure)

ANNUAL PERCENTAGE RATE	FINANCE CHARGE APR %	AMOUNT FINANCED APR \$	TOTAL OF PAYMENTS APR \$	TOTAL SALES PRICE APR \$
The rate is an annual rate based on a 360 day year.	The dollar amount of the finance charge will be \$ _____.	The amount of each payment is \$ _____ to be paid on the _____ day of each month.	The amount of each payment is \$ _____ to be paid on the _____ day of each month.	The total price of the goods or services is \$ _____.
19.6%	\$ _____	\$ _____	\$ _____	\$ _____

You the buyer have the right to receive at this time an explanation of the amount financed. ( ) I want an explanation. ( ) I do not want an explanation. Your payment schedule will be:

Number of Payments	Amount of Payment	Day/Date/Day
1	\$ _____	_____

**DELINQUENCY AND COLLECTION CHARGES:** If Buyer shall fail or neglect to pay any installment payment when the same shall become due and such failure or neglect shall continue for a period of more than ten (10) days, then in addition to the amount of such delinquent installment payment the Buyer shall pay to Seller, as a delinquency and collection charge, an amount equal to 5% of such payment except that such charge shall not exceed \$5.00 or be less than \$1.00.

**PREPAYMENT:** If you pay off early, you will not have to pay a penalty and you may be entitled to a refund of part of the finance charge.

See your Great Expectations Membership Agreement for any additional information about non-payment, default, any required repayment in full before the scheduled date and prepayments, returns and penalties.

**"ITEMIZATION OF AMOUNT FINANCED"**

Item	Amount	Description
1. Total Cash Price	\$ _____	Buyer may prepay or all of the unpaid balance without penalty a payment in full. Buyer is entitled to a refund of the unearned portion of the Finance Charge and no refund of unreturned Finance Charge is \$1.00.
2. Less Downpayment	-\$ _____	
3. Amount Financed	\$ _____	
4. Finance Charge	\$ _____	
5. Total of Payments	\$ _____	

Waiver of any default by the Seller shall not operate as a "waiver" of default.

Should the buyer default in the payment of any installment hereunder, Buyer shall pay to Seller all actual and reasonable costs of collection including reasonable Attorney fees and disbursements.

Buyer will pay to the Seller a \$10.00 charge for every delinquency after the first.

Should any term hereof be invalid or unenforceable, the remaining terms shall survive.

**NOTICE TO BUYER:**

- Do not sign this agreement before you read it or if it has any blank spaces to be filled in.
- You are entitled to a completely filled in copy of this agreement.
- You can prepay the full amount due under this agreement at any time.
- If you desire to pay off in advance the full amount which is outstanding will be furnished on request.

Seller: GREAT EXPECTATIONS

Business Address: \_\_\_\_\_

City & State: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_ Title \_\_\_\_\_

Member (Buyer) acknowledges receipt of an exact copy of this contract at the time of its execution. Member (Buyer) further acknowledges that this Contract was completed and filled-in and that she has read and understands the terms hereof prior to signing this Contract.

Signature of Member: X \_\_\_\_\_

Routing: White—FINANCE: Pink—SELLER: Gold—CUSTOMER

Exhibit 2

## DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of respondent KGE, Inc., a corporation, and respondent having been furnished thereafter with a copy of the draft of complaint that the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violations of Section 5(a) of the Federal Trade Commission Act and the Truth in Lending Act; and

The respondent, its attorneys, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that respondent has violated the said Acts, and that a complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. KGE, Inc., doing business as Great Expectations of Sausalito, Great Expectations of Mountain View, and Great Expectations of Walnut Creek ("GE-SFA"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its corporate office at 1943 Landings Dr., Mountain View, CA, and its principal places of business located at 2401 Marinship Way, Suite 100, Sausalito, CA, 2085 Landings Dr., Mountain View, CA, and 1280 Civic Dr., Suite 300, Walnut Creek, CA.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

## ORDER

## I.

*It is ordered, That:*

A. Respondent GE-SFA, its successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to accurately calculate and disclose the annual percentage rate, as required by Sections 107(a) and (c) of the TILA, 15 U.S.C. 1606(a) and (c), and Sections 226.18(e) and 226.22 of Regulation Z, 12 CFR 226.18(e) and 226.22;

B. Respondent GE-SFA, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to accurately calculate and disclose the finance charge, as required by Section 106 of the TILA, 15 U.S.C. 1605, and Sections 226.4 and 226.18(d) of Regulation Z, 12 CFR 226.4 and 226.18(d);

C. Respondent GE-SFA, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to make all disclosures in the manner, form, and amount required by Sections 122 and 128(a) of the TILA, 15 U.S.C. 1632 and 1638(a), and Sections 226.17 and 226.18 of Regulation Z, 12 CFR 226.17 and 226.18;

D. Respondent GE-SFA, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to comply with the TILA, 15 U.S.C. 1601 *et seq.*, and Regulation Z, 12 CFR 226.



## II.

## REFUND PROGRAM

*It is further ordered, That:*

A. Within thirty (30) days following the date of service of this order, respondent shall:

1. Determine to whom respondent disclosed on the original TILA disclosure an annual percentage rate that was miscalculated by more than one quarter of one percentage point below the annual percentage rate determined in accordance with Section 226.22 of Regulation Z, 12 CFR 226.22, or that disclosed a finance charge that was miscalculated by more than one dollar below the finance charge determined in accordance with Section 226.4 of Regulation Z, 12 CFR 226.4, so that each such person will not be required to pay a finance charge in excess of the finance charge actually disclosed or the dollar equivalent of the annual percentage rate actually disclosed, whichever is lower, plus a tolerance of one quarter of one percentage point;

2. Calculate a lump sum refund and a monthly payment adjustment, if applicable, in accordance with Section 108(e) of the TILA, 15 U.S.C. 1607(e);

3. Mail a refund check to each eligible consumer in the amount determined above, along with Attachment 1; and

4. Provide the Federal Trade Commission with a list of each such consumer, the amount of the refund, the number of payments refunded, the amount of adjustment for future payments and the number of future payments to be adjusted.

B. No later than fifteen (15) days following the date of service of this order, respondent shall provide the Federal Trade Commission with the name and address of three independent accounting firms, with which it, its officers, employees, attorneys, agents, and franchisees have no business relationship. Staff for the Division of Credit Practices of the FTC shall then have the sole discretion to choose one of the firms ("independent agent") and so advise respondent;

C. Within thirty (30) days following the date of adjustments made pursuant to this section, respondent shall direct the independent agent to review a statistically-valid sample of refunds. Respondent shall provide the Federal Trade Commission with a certified letter from the independent agent confirming that respondent has complied with Part II.A. of this order;

D. All costs associated with the administration of the refund program and payment of refunds shall be borne by the respondent.

### III.

*It is further ordered,* That respondent, its successors and assigns, shall maintain for at least five (5) years from the date of service of this order and, upon thirty (30) days advance written request, make available to the Federal Trade Commission for inspection and copying all documents and other records necessary to demonstrate fully its compliance with this order.

### IV.

*It is further ordered,* That respondent, its successors and assigns, shall distribute a copy of this order to any present or future officers and managerial employees having responsibility with respect to the subject matter of this order and that respondent, its successors and assigns, shall secure from each such person a signed statement acknowledging receipt of said order.

### V.

*It is further ordered,* That respondent, for a period of five (5) years following the date of service of this order, shall promptly notify the Commission at least thirty (30) days prior to any proposed change in its corporate structure such as dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or affiliates, or any other change in the corporation that may affect compliance obligations arising out of the order.

## VI.

*It is further ordered,* That respondent shall, within one hundred and eighty (180) days of the date of service of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this order.

## ATTACHMENT 1

Dear Great Expectations Customer:

As part of our settlement with the Federal Trade Commission for alleged violations of the Truth in Lending Act, we are sending you the enclosed refund check in the amount of \$\*\*\*\*\*. The refund represents the amount you were overcharged as a result of errors made by Great Expectations in calculating or disclosing the annual percentage rate or finance charge.

[In addition, your future monthly payments have been reduced. Starting immediately, your monthly payments will be \$\*\*\*\*\*.]

We regret any inconvenience this may have caused you.

Great Expectations