(b) Failing to make any refund in accordance with the policy set forth in Paragraph 10(a).

11. (a) Failing to disclose, in writing, clearly and conspicuously, the refund policy of respondents with respect to those students who have embarked upon the training program after the 72-hour period set forth in Paragraph 10(a) above.

(b) Failing to make any refund in accordance with the refund policy disclosed to the students under Paragraph 11(a) above.

It is further ordered, That respondents shall forthwith deliver a copy of this order to cease and desist to all present and future salesmen or other persons engaged in selling respondents' courses of study and instruction and secure from each such salesmen or other persons a signed statement acknowledging receipt of said order.

It is further ordered, That each respondent corporation shall forthwith distribute a copy of this order to each of its operating divisions.

It is further ordered, That respondents notify the Commission at least 30 days prior to any proposed change in the corporate respondents 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 corporation which may affect compliance obligations arising out of the order.

It is further ordered, That the respondents herein shall within sixty (60) days after service upon them 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.

It is further ordered, That the individual respondent named herein promptly notify the Commission of the discontinuance of his present business or employment and of his affiliation with a new business or employment. Such notice shall include respondent's current business or employment in which he is engaged as well as a description of his duties and responsibilities.

IN THE MATTER OF

COLONIAL ENGINEERING CORPORATION, ET AL.

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

Docket C-2272. Complaint, August 18, 1972—Decision, August 18, 1972.

Consent order requiring a Springfield, Massachusetts, seller and distributor of home improvement products to cease, among other things, representing salesmen as officers, co-owners or advertising representatives of the respond-

ent corporation; representing any price as special or reduced unless such price is a substantial reduction in price; failing to disclose terms and conditions of guarantees; inducing purchasers to sign blank or partially blank legal instruments or documents; failing to disclose to customers all necessary disclosures required by Regulation Z of the Truth in Lending Act. Respondent is further required to include on the face of its notes a notice that any subsequent holder takes the note with all conditions of the contract evidencing the debt.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and the Truth in Lending Act and the implementing regulation promulgated thereunder, and by virtue of the authority vested in it by those Acts, the Federal Trade Commission, having reason to believe that Colonial Engineering Corporation, a corporation, and Stanley D. Saxby, (AKA S. Douglas Saxby), individually and as an officer of that corporation, hereinafter referred to as respondents, have violated the provisions of those Acts and of Regulation Z promulgated under the Truth in Lending Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Colonial Engineering Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Maine, with its principal office and place of business located at 78 Verge Street, Springfield, Massachusetts.

Respondent Stanley D. Saxby (AKA S. Douglas Saxby) is an officer of the corporate respondent. He formulates, directs and controls the policies, acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. His business address is the same as that of corporate repondent.

The aforementioned respondents cooperate and act together in carrying out the acts and practices hereinafter set forth.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the advertising, offering for sale, sale and distribution of various home improvement products to the general public, including residential siding materials, and the installation thereof.

COUNT I

Alleging violations of Section 5 of the Federal Trade Commission Act, the allegations of Paragraphs One and Two hereof are incorporated by reference in Count I as if fully set forth verbatim.

PAR. 3. In the course and conduct of their business as aforesaid, respondents now cause, and for some time last past have caused, their

said products when sold, to be shipped from their place of business in the Commonwealth of Massachusetts to purchasers thereof located in various other States of the United States, and maintain, and at all times mentioned herein have maintained, a substantial course of trade in said products in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their aforesaid business, and for the purpose of inducing the purchase of their products and installations, respondents have made, and are now making, numerous statements and representations through oral statements made by their salesmen and representatives with respect to the nature of their offer, their prices, time limitations, guarantees and performance of their products.

Typical and illustrative of said statements and representations but not all inclusive thereof, are the following:

Guaranteed for the life of the house.

The cost of heating your home will be cut in half.

We'll pay you $100 for every customer obtained as a result of viewing your home.

We can give you a special reduced price because we want to use your home for advertising purposes.

PAR. 5. By and through the use of the aforesaid statements and representations, and others of similar import and meaning, but not expressly set out herein, in connection with the oral statements and representations of their salesmen and representatives, the respondents have represented, and are now representing, directly or by implication that:

1. Respondents' representatives or salesmen, soliciting the sale of products and installations are officers, co-owners, owners, or advertising representatives of the corporate respondent, or representatives of or connected or affiliated with the manufacturers of respondents' products.

2. Respondents' products and installations are being offered for sale at special or reduced prices, and that savings are thereby afforded purchasers from respondents' regular selling prices.

3. Homes of prospective purchasers had been specially selected as model homes for the installation of respondents' siding; after installation such homes would be used for demonstration and advertising purposes by respondents; and, as a result of allowing their homes to be used as models, purchasers would be granted reduced prices or would receive allowances, discounts or commissions.

4. The said offer of reduced prices must be accepted at once or within a limited time.

5. Doors, railings, shutters, gutters or other things of value selected by a purchaser in connection with the purchase of siding materials and the installation thereof are given free to such purchasers.

6. Respondents' products and installations are unconditionally guaranteed, without condition or limitation, for life or for specific terms of years.

7. The purchase and installation of respondents' siding materials will result in a savings of up to 50 percent on the purchaser's heating fuel expenses.

PAR. 6. In truth and in fact:

1. Respondents' representatives or salesmen, soliciting the sale of siding materials and installations are not officers, co-owners, owners, or advertising representatives of or connected or affiliated with the manufacturers of respondents' products.

2. Respondents' products and installations are not being offered for sale at special or reduced prices, and savings are not granted respondents' customers because of a reduction from respondents' regular selling price. In fact, respondent does not have a regular selling price but the prices at which respondents' said products and installations are sold vary from customer to customer depending on the resistance of the prospective purchaser.

3. Homes of prospective purchasers are not specially selected as model homes for installation of respondents' products; after installation such homes are not used for demonstration and advertising purposes by respondents; and purchasers, as a result of allowing or agreeing to allow their homes to be used as models, are not granted reduced prices, nor do they receive allowances, discounts or commissions.

4. Respondents' offer need not be accepted at once or within a limited time. Said merchandise is offered regularly at the represented prices and on the terms and conditions therein stated.

5. Doors, railings, shutters, gutters or other things of value selected by a purchaser are not given free with the purchase of siding materials and the installation thereof, but the prices of these products are included in the price of the siding materials and installations.

6. Respondents' products and installations are not unconditionally guaranteed without condition or limitation for life or any specific term of years. Such guarantee as may be provided is subject to numerous terms, conditions and limitations and it fails to set forth the real nature and extent of the guarantee, the identity of the guarantor, and the manner in which the guarantor will perform thereunder.

7. All purchasers of respondents' residential siding materials will not realize a savings of up to 50 percent in the cost of heating their residences. Few, if any, will realize such savings.

Therefore, the statements and representations as set forth in Paragraphs Four and Five hereof were and are false, misleading and deceptive.

PAR. 7. In the further course and conduct of their business, and in furtherance of a sales program for inducing the purchase of their home improvement products and installations, including residential siding materials, respondents and their salesmen or representatives have engaged in the following additional unfair and false, misleading and deceptive acts and practices:

1. In a substantial number of instances and in the usual course of their business, respondents sell, transfer or assign their customers' obligations, procured by the aforesaid unfair, false, misleading and deceptive means, to various financial institutions. In any subsequent legal action to collect on such obligations, these financial institutions or other third parties, as a general rule, have available and can interpose various defenses which may cut off certain valid claims customers may have against respondents for failure to perform or for certain other unfair, false, misleading or deceptive acts and practices.

2. In a substantial number of instances through the use of false, misleading and deceptive statements and representations set out in Paragraphs Four and Five above, respondents have been able through high pressure sales tactics to induce customers into signing contracts with respondents on the respondents' initial contact with the customers. In many cases the contracts signed are blank or incomplete at the time of signing. In such a situation, it is highly improbable that the customer was able to seek out advice or make an independent decision on whether or not he should enter into the contract and, therefore, had to rely heavily on the advice and information given to him by respondents.

Therefore, the acts and practices as set forth in Paragraph Seven hereof were and are unfair and false, misleading and deceptive acts and practices.

PAR. 8. In the course and conduct of their aforesaid business, and at all times mentioned herein, respondents have been, and now are, in substantial competition, in commerce, with corporations, firms and individuals in the sale of home improvements, including residential siding, of the same general kind and nature as that sold by respondents.

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

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

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

COUNT II

Alleging violation of the Truth In Lending Act and the implementing regulation promulgated thereunder, and of the Federal Trade Commission Act, the allegations of Paragraphs One and Two hereof are incorporated by reference in Count II as if fully set forth verbatim.

PAR. 11. In the ordinary course and conduct of their business, as aforesaid, respondents regularly extend or arrange for the extension of consumer credit, and for some time last past have regularly extended or arranged for the extension of consumer credit as "consumer credit" is defined in Regulation Z, the implementing regulation of the Truth In Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 12. Subsequent to July 1, 1969, respondents, in the ordinary course and conduct of their business and in connection with credit sales as "credit sales" is defined in Section 226.2 (n) of Regulation Z, have caused and are causing their customers to execute retail installment contracts, hereinafter referred to as "the contract."

PAR. 13. By and through the use of the contract, respondents, in a number of instances:

1. Have failed to disclose the date on which the finance charge begins to accrue if different from the date of the transaction, as required by Section 226.8 (b) (1) of Regulation Z.

2. Have failed to disclose the finance charge expressed as an annual percentage rate as required by Section 226.8 (b) (2) of Regulation Z.

3. Have failed to disclose the number, amount and due dates or period of payments scheduled to repay the indebtedness, and the sum of such payments, as required by Section 226.8 (b) (3) of Regulation Z.

4. Have failed to give a clear identification of the property to which any security interest relates or, if such property is not identifiable, an explanation of the manner in which the creditor retains or may acquire a security interest in such property which the creditor is unable to identify, as required by Section 226.8 (b) (5) of Regulation Z.

5. Have failed to disclose the "cash price" of the property and/or service purchased, as required by Section 226.8 (c) (1) of Regulation Z.

6. Have failed to disclose the amount of the downpayment itemized as downpayment in money and downpayment in property, as required by Section 226.8 (c) (2) of Regulation Z.

7. Have failed to disclose the "unpaid balance of cash price" as the difference between the amounts described as "cash price" and "total down payment," as required by Section 226.8 (c) (3) of Regulation Z.

8. Have failed to disclose all other charges, individually itemized, which are included in the amount financed but are not part of the finance charge, as required by Section 226.8 (c) (4) of Regulation Z.

9. Have failed to disclose the sum of the "unpaid balance of the cash price" and all other charges included in the "amount financed" but which are not part of the "finance charge," as required by Section 226.8 (c) (5) of Regulation Z.

10. Have failed to disclose the "amount financed," as required by Section 226.8(c) (7) of Regulation Z.

11. Have failed to disclose the total amount of the finance charge, as required by Section 226.8 (c) (8) (i) of Regulation Z.

12. Have failed to disclose the "deferred payment price" as the sum of the cash price, all other charges which are part of the amount financed but are not part of the finance charge, and the finance charge, as required by Section 226.8 (c) (8) (ii) of Regulation Z.

13. Have failed to furnish the customer with a duplicate of the instrument containing the disclosures required by Section 226.8 or a statement by which the required disclosures are made at the time those disclosures are made, as prescribed by Section 226.8 (a) of Regulation Z.

PAR. 14. By and through the use of the contract respondents have in various instances induced and caused their customers to affix their signatures to such contracts prior to the completion and insertion of all terms and figures relevant to such contract. In such manner the respondents have failed to provide those disclosures required by Section 226.8 (a) (b) (c).

PAR. 15. By and through the use of respondents' contract to perform various home improvements, a security interest, as "security interest" is defined in Section 226.2 (z) of Regulation Z, is or will be retained or acquired in real property which is used or expected to be used as the principal residence of respondents' customers. Respondents' retention or acquisition of such security interest in said real property thereby entitles his credit customers to be given the right

to rescind that transaction until midnight of the third business day following the consummation of the transaction or the date of delivery of all the disclosures required by Regulation Z, whichever is later.

Respondents have failed in a number of instances to provide their customers with a notice of the customers' right to rescind as required by Section 226.9 (b) of Regulation Z.

PAR. 16. Pursuant to Section 103 (q) of the Truth in Lending Act, respondents' failures to comply with the provisions of Regulation Z constitute violations of that Act and, pursuant to Section 108 thereof, respondents thereby violated the Federal Trade Commission Act.

DECISION AND ORDER

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

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the 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 the respondents have violated the said Acts, and that 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 thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Colonial Engineering Corporation is a corporation, organized, existing and doing business under and by virtue of the laws of the State of Maine, with its principal office and place of business located at 78 Verge Street, Springfield, Massachusetts.

Respondent Stanley D. Saxby, (AKA S. Douglas Saxby) is an officer of the corporate respondent. He formulates, directs, and controls the policies, acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. His address is the same as that of the corporate respondent.

2. 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 respondents Colonial Engineering Corporation, a corporation, its successors and assigns, and its officers, and Stanley D. Saxby (AKA S. Douglas Saxby) individually and as an officer of said corporation trading under said corporate name or any trade name or names, and respondents' officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with advertising, offering for sale, sale, distribution or installation of residential siding materials or other home improvement products or services or other products in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing, directly or by implication, orally or in writing that:

(a) Respondents' salesmen or representatives are officers, co-owners, owners or advertising representatives of the corporate respondent, or representatives of or connected or affiliated with the manufacturers of respondents' products.

(b) Any price for home improvement materials or other products or services, sold or installed by respondents, is a special or reduced price; unless respondents can affirmatively show that such price constitutes a significant reduction from the price at which respondents have sold or installed substantially similar home improvements, or other products or services, for a reasonably substantial period of time in the recent regular course of their business.

(c) The home of any of respondents' customers or prospective customers has been selected to be used or will be used as a model home, or otherwise, for advertising or demonstration purposes.

(d) Any reduced price, allowance, discount or commission is granted by respondents to purchasers in return for permit-

ting or agreeing to allow the premises on which respondents' products are installed to be used for model home or for demonstration purposes.

(e) Any offer to sell products and installations is limited in time or in any other manner unless any represented limitation or restriction is actually imposed and adhered to.

(f) Doors, railings, shutters, gutters or other things of value selected by a purchaser in connection with the purchase of siding materials and the installation thereof are given free to such purchasers.

(g) Any of respondents' products and installations are guaranteed unless the nature, extent and duration of the guarantee, the identity of the guarantor and the manner in which the guarantor will perform thereunder are clearly and conspicuously disclosed; and unless respondents promptly and fully perform all of their obligations and requirements, directly or impliedly represented, under the terms of each such guarantee.

(h) Purchasers of respondents' siding materials and installations will realize any specific percentage or amount of savings, or that savings can be had generally in their heating fuel expenses.

2. Inducing or causing purchasers or prospective purchasers of respondents' products or services to sign blank or partially completed retail installment contracts or other legal instruments or documents.

3. Assigning, selling or otherwise transferring respondents' notes, contracts or other documents evidencing a purchaser's indebtedness, unless any rights or defenses which the purchaser has and may assert against respondents are preserved and may be asserted against any assignee or subsequent holder of such note, contract or other documents evidencing the indebtedness.

4. Failing to include the following statement clearly and conspicuously on the face of any note, contract or other instrument of indebtedness executed by or on behalf of respondents' customers:

NOTICE

Any holder takes this instrument subject to the terms and conditions of the contract which gave rise to the debt evidenced hereby, any contractual provision or other agreement to the contrary notwithstanding.

5. Contracting for any sale arising out of a door to door solicitation which shall become binding on the buyer prior to midnight

of the third day, excluding Sundays and legal holidays, after the date of consummation of the transaction.

6. (a) Failing to disclose to the buyers, in any sale arising out of a door to door solicitation, orally, prior to the consummation of the sale, and in writing, on any conditional sales contract, security agreement, promissory note or other instrument executed by such buyer with such conspicuousness and clarity as is likely to be observed and read by such buyer, that the buyer may rescind or cancel the sale by directing or mailing a notice of cancellation to respondents' address prior to midnight of the third day, excluding Sundays and legal holidays, after the date of the sale.

(b) Upon such cancellation, the burden shall be on respondents to collect any goods left in buyer's home and to return any payments received from the buyer. Nothing contained in this right-to-cancel provision shall relieve buyers of the responsibility for taking reasonable care of the goods prior to cancellation and during a reasonable period following cancellation.

(c) Failing to provide a separate and clearly understandable form which the buyer may use as a notice of cancellation.

(d) Failing to refund immediately all monies to customers who have requested contract cancellation in writing within three (3) days from the execution of such contract.

II

It is ordered, That respondents Colonial Engineering Corporation, a corporation, its successors and assigns, and its officers, and Stanley D. Saxby (AKA S. Douglas Saxby), individually and as an officer of the corporation, trading under the corporate name or trading or doing business under any other name or names, and respondents' officers, agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with any extension of consumer credit or any advertisement to aid, promote or assist directly or indirectly any extension of consumer credit, as "consumer credit" and "advertisement" are defined in Regulation Z (12 C.F.R. § 226) of the Truth in Lending Act (Pub. L. 90–321, 15 USC 1601 *et seq.*), do forthwith cease and desist from:

1. Failing to disclose the date on which the finance charge begins to accrue when that date is different from the date of the transaction, as required by Section 226.8(b)(1) of Regulation Z.

2. Failing to disclose the finance charge expressed as an annual percentage rate, as required by Section 226.8(b)(2) of Regulation Z.

3. Failing to disclose the number, amount and due dates or period of payments scheduled to repay the indebtedness, and the sum of such payments, as required by Section 226.8(b)(3) of Regulation Z.

4. Failing to give a clear identification of property to which any security interest relates or, if such property is not identifiable, an explanation of the manner in which the creditor retains or may acquire a security interest in such property which the creditor is unable to identify, as required by Section 226.8(b)(5) of Regulation Z.

5. Failing to disclose the "cash price" of the property and/or service purchased, as required by Section 226.8(c)(1) of Regulation Z.

6. Failing to disclose the amount of the downpayment, itemized as downpayment in money and downpayment in property, as required by Section 226.8(c)(2) of Regulation Z.

7. Failing to disclose the "unpaid balance of cash price" as the difference between the amount described as "cash price" and "total downpayment" as required by Section 226.8(c)(3) of Regulation Z.

8. Failing to disclose all other charges, individually itemized, which are included in the amount financed but are not part of the finance charge, as required by Section 226.8(c)(4) of Regulation Z.

9. Failing to disclose the sum of the "unpaid balance of the cash price" and all other charges included in the "amount financed" but which are not part of the "finance charge," as required by Section 226.8(c)(5) of Regulation Z.

10. Failing to disclose the "amount financed," as required by Section 226.8(c)(7) of Regulation Z.

11. Failing to disclose the total amount of the finance charge, as required by Section 226.8(c)(8)(i) of Regulation Z.

(12) Failing to disclose the "deferred payment price" as the sum of the cash price, all other charges which are part of the amount financed but are not part of the finance charge, and the finance charge, as required by Section 226.8(c)(8)(ii) of Regulation Z.

13. Failing to furnish the customer with a duplicate of the instrument containing the disclosures required by Section 226.8

or a statement by which the required disclosures are made at the time those disclosures are made, as prescribed by Section 226.8(a) of Regulation Z.

14. Failing to give notice to the customer of his right to rescind the transaction as required by Section 226.9(b) of Regulation Z, when all of the security interests in the customer's principal residence which have been or will be retained or acquired have not been effectively waived.

15. Failing, in any consumer credit transaction or advertisement, to make all disclosures, determined in accordance with Section 226.4 and Section 226.5 of Regulation Z, in the manner, form, and amount required by Sections 226.6, 226.7, 226.8, 226.9, and 226.10 of Regulation Z.

It is further ordered, That the respondents herein shall within sixty (60) days after service upon them 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.

IN THE MATTER OF

FLORIDA STATE CONSTRUCTORS SERVICE, INC., ET AL.

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

Docket C-2273. Complaint, August 22, 1972—Decision, August 22, 1972.

Consent order requiring a Miami, Florida, seller and distributor of home improvement products to cease violating the Truth in Lending Act by failing to disclose to customers the annual percentage rate; the total number of payments; the method of computing penalty charges and other disclosures required by Regulation Z of the said Act.

COMPLAINT

Pursuant to the provisions of the Truth in Lending Act and the implementing regulation promulgated thereunder, and the Federal Trade Commission Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Florida State Constructors Service, Inc., a corporation, and Joseph Weinstock, individually and as an officer of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts and implementing regulation, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Florida State Constructors Service, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Florida, with its principal office and place of business located at 7541 Biscayne Boulevard, Miami, Florida.

Respondent Joseph Weinstock is an officer of the corporate respondent. He formulates, directs and controls the policy, acts and practices of the corporation, including the acts and practices hereinafter set forth. His address is the same as that of the corporate respondent.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the advertising, offering for sale, sale and distribution of home improvement products to the public and in the installation thereof.

PAR. 3. In the ordinary course of their business as aforesaid, respondents regularly extend consumer credit as "consumer credit" is defined in Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 4. Subsequent to July 1, 1969, in the ordinary course of their business as aforesaid, and in connection with their credit sales, as "credit sale" is defined in Regulation Z, respondents have caused and are causing their customers to enter into two separate contracts for the sale of respondents' goods and services. On both of these contracts, hereinafter referred to as "the contracts," respondents provide certain consumer credit cost information. Respondents do not provide these customers with any other consumer credit cost disclosures prior to the consummation of the "credit sale," as required by Section 226.8 (a) of Regulation Z.

By and through the use of the contracts, respondents:

1. Fail in some instances to disclose the "annual percentage rate" accurately to the nearest quarter of one percent, in accordance with Section 226.5 of Regulation Z, as required by Section 226.8(b)(2) of Regulation Z.

2. Fail in some instances to disclose accurately the number, amount and due dates or periods of payments scheduled to repay the indebtedness and the sum of such payments, as required by Section 226.8 (b)(3) of Regulation Z.

3. Fail to disclose the amount, or method of computing the amount, of any default, delinquency, or similar charges payable in the event of late payments, as required by Section 226.8(b)(4) of Regulation Z.

4. Fail in some instances to disclose accurately the deferred payment price, as required by Section 226.8(c)(8)(ii) of Regulation Z.

5. Fail in some instances to identify the type of security interest held, retained, or acquired in connection with the extension of credit as required by Section 226.8(b)(5) of Regulation Z.

PAR. 5. By and through the use of the contract, as set forth in Paragraph Four, respondents retain or acquire a security interest in real property which is or is expected to be used as the principal residence of the customer. The customer thereby has the right to rescind the

transaction, as provided in Section 226.9(a) of Regulation Z. Having consummated a rescindable credit transaction, respondents:

1. Fail in some instances to provide each customer who has the right to rescind with two copies of the notice prescribed by Section 226.9(b) of Regulation Z, as required by that section.

2. Make physical changes in the property of the customer and perform work and services for the customer before the rescission period provided in Section 226.9(a) of Regulation Z has expired, in violation of Section 226.9(c) thereof.

PAR. 6. Pursuant to Section 103(q) of the Truth in Lending Act, respondents' aforesaid failures to comply with the provisions of Regulation Z constitute violations of that Act and, pursuant to Section 108 thereof, respondents have thereby violated the Federal Trade Commission Act.

DECISION AND ORDER

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

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the 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 the respondents have violated the said Acts, and that 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 thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Florida State Constructors Service, Inc., is a corporation organized existing and doing business under and by virtue of the

laws of the State of Florida. Its office and principal place of business is located at 7541 Biscayne Boulevard, Miami, Florida.

Respondent Joseph Weinstock is an officer of said corporation. He formulates, directs and controls the policies, acts and practices of the corporate respondent including those hereinafter referred to. The address of Joseph Weinstock is the same as that of the corporate respondent.

2. 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

It is ordered, That respondents Florida State Constructors Service, Inc., a corporation, its successors and assigns, and Joseph Weinstock, individually and as an officer of said corporation, and respondents' officers, agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with any extension of consumer credit or any advertisement to aid, promote or assist directly or indirectly and any extension of consumer credit, as "consumer credit" and "advertisement" are defined in Regulation Z (12 C.F.R. § 226) of the Truth in Lending Act (Pub. L. 90–321, 15 U.S.C. 1601, *et seq.*), do forthwith cease and desist from:

1. Failing to disclose the annual percentage rate accurately to the nearest quarter of one percent, in accordance with Section 226.5 of Regulation Z, as required by Section 226.8(b)(2) of Regulation Z.

2. Failing to disclose accurately the number, amount and due dates or periods of payments scheduled to repay the indebtedness and the sum of such payments, as required by Section 226.8(b)(3) of Regulation Z.

3. Failing to disclose the amount, or method of computing the amount, of any default, delinquency, or similar charges payable in the event of late payments, as required by Section 226.8(b)(4) of Regulation Z.

4. Failing to disclose accurately the deferred payment price, as required by Section 226.8(c)(8)(ii) of Regulation Z.

5. Failing to identify the type of security interest held, retained or acquired in connection with the extension of credit as required by Section 226.8(b)(5) of Regulation Z.

6. Failing, in any transaction in which respondents retain or acquire a security interest in real property which is used or is expected to be used as the principal residence of the customer, to provide each customer with notice of the right to rescind, in the

form and manner specified by Section 226.9(b) and Section 226.9 (f) of Regulation Z.

7. Making any physical changes in a customer's property or performing any work or services on such property before expiration of the three day rescission period provided for in Section 226.9(a) of Regulation Z, in any transaction in which respondents retain or acquire a security interest in real property which is used or is expected to be used as the principal residence of the customer, as provided in Section 226.9(c) of Regulation Z.

8. Failing, in any consumer credit transaction or advertisement, to make all disclosures, determined in accordance with Section 226.4 and 226.5 of Regulation Z, at the time and in the manner, form and amount required by Sections 226.6, 226.8, 226.9, and 226.10 of Regulation Z.

It is further ordered, That respondents deliver a copy of this order to cease and desist to all present and future personnel of respondents engaged in the consummation of any extension of consumer credit or in any aspect of preparation, creation, or placing of advertising, and that respondents secure a signed statement acknowledging receipt of said order from each such person.

It is further ordered, That respondents notify the Commission at least thirty (30) days prior to any proposed change in the corporate 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 corporation which may affect compliance obligations arising out of the order.

It is further ordered, That respondents shall, within sixty (60) days after service upon them 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.

IN THE MATTER OF

CAMPUS JUNIORS, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE FLAMMABLE FABRICS AND THE FEDERAL TRADE COMMISSION ACTS

Docket C-2274. Complaint, August 25, 1972—Decision, August 25, 1972.

Consent order requiring a New York City manufacturer, seller, and distributor of wearing apparel, among other things to cease manufacturing for sale, selling, importing, or distributing any product, fabric, or related material

which fails to conform to an applicable standard of flammability or regulation issued or amended under the provisions of the Flammable Fabrics Act.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Flammable Fabrics Act, as amended, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Campus Juniors, Inc., a corporation, and Frank Peller, individually and as an officer of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts and the rules and regulations promulgated under the Flammable Fabrics Act, as amended, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint, stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Campus Juniors, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York. Respondent Frank Peller is an officer of said corporate respondent. He formulates, directs and controls the acts, practices and policies of said corporation.

The respondents are engaged in the manufacture, sale and distribution of wearing apparel, including but not limited to misses dresses, with their principal place of business located at 498 Seventh Avenue, New York, New York.

PAR. 2. Respondents for some time past have been engaged in the manufacture for sale, the sale or offering for sale, in commerce, and have introduced, delivered for introduction, transported and caused to be transported in commerce, and have sold or delivered after sale or shipment in commerce, products, as "commerce" and "product" are defined in the Flammable Fabrics Act, as amended, which products failed to conform to an applicable standard or regulation continued in effect, issued or amended under the provisions of the Flammable Fabrics Act, as amended.

Among such products mentioned hereinabove were misses dresses.

PAR. 3. The aforesaid acts and practices of respondents were and are in violation of the Flammable Fabrics Act, as amended, and the rules and regulations promulgated thereunder, and as such constituted and now constitute unfair methods of competition and unfair and deceptive acts and practices in commerce, within the intent and meaning of the Federal Trade Commission Act.

DECISION AND ORDER.

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which 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 violation of the Federal Trade Commission Act and the Flammable Fabrics Act, as amended; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the 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 the respondents have violated the said Acts, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on public record for a period of thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Campus Juniors, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York.

Respondent Frank Peller is an officer of the said corporation. He formulates, directs, and controls the acts, practices, and policies of the said corporation.

Respondents are engaged in the manufacture and sale of articles of wearing apparel with their office and principal place of business located at 498 Seventh Avenue, New York, New York.

2. 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

It is ordered, That respondent Campus Juniors, Inc., a corporation, its successors and assigns, and its officers, and respondent Frank Peller, individually and as an officer of said corporation and respondents'

agents, representatives and employees directly or through any corporation, subsidiary, division, or other device, do forthwith cease and desist from manufacturing for sale, selling, offering for sale, in commerce, or importing into the United States, or introducing, delivering for introduction, transporting or causing to be transported in commerce, or selling or delivering after sale or shipment in commerce, any product, fabric, or related material; or manufacturing for sale, selling, or offering for sale, any product made of fabric or related material which has been shipped or received in commerce, as "commerce," "product," "fabric" and "related material" are defined in the Flammable Fabrics Act, as amended, which product, fabric or related material fails to conform to an applicable standard or regulation continued in effect, issued or amended under the provisions of the aforesaid Act.

It is further ordered, That respondents notify all of their customers who have purchased or to whom have been delivered the products which gave rise to this complaint, of the flammable nature of said products and effect the recall of said products from such customers.

It is further ordered, That the respondents herein either process the products which gave rise to the complaint so as to bring them into conformance with the applicable standard of flammability under the Flammable Fabrics Act, as amended, or destroy said products.

It is further ordered, That respondents herein shall, within ten (10) days after service upon them of this order, file with the Commission a special report in writing setting forth the respondents' intentions as to compliance with this order. This special report shall also advise the Commission fully and specifically concerning (1) the identity of the products which gave rise to the complaint, (2) the identity of the purchasers of said products, (3) the amount of said products on hand and in the channels of commerce, (4) any action taken and any further actions proposed to be taken to notify customers of the flammability of said products and effect the recall of said products from customers, and of the results thereof, (5) any disposition of said products since March 23, 1970 and (6) any action taken or proposed to be taken to bring said products into conformance with the applicable standard of flammability under the Flammable Fabrics Act, as amended, or to destroy said products, and the results of such action. Such report shall further inform the Commission whether respondents have in inventory any product, fabric or related material having a plain surface and made of paper, silk, rayon and acetate, nylon and acetate, rayon, cotton or any other material or combinations thereof, in a weight of two ounces or less per square yard, or having a raised fiber surface.

Respondents will submit samples of any such product, fabric or related material with this report. Samples of the fabric, product or related material shall be of no less than one square yard of material.

It is further ordered, That respondents notify the Commission at least 30 days prior to any proposed change in the corporate 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 corporation which may affect compliance obligations arising out of the order.

It is further ordered, That the respondent corporation shall forthwith distribute a copy of this order to each of its operating divisions.

It is further ordered, That respondents herein shall, within sixty (60) days after service upon them 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.

IN THE MATTER OF

KEY LEARNING SYSTEMS, INC., ET AL.

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

Docket C-2275. Complaint, August 29, 1972—Decision, August 29, 1972.

Consent order requiring a Riviera Beach, Florida, franchisor of home instruction courses, among other things, to cease representing that respondents' business is connected with any branch or agency of the United States Government; misrepresenting the qualifications of respondents' personnel or staff; misrepresenting the availability of civil service jobs; misrepresenting the nature and legal characteristics of any enrollment or other contract; misrepresenting the action to be taken or the results thereof, to effect payment of alleged indebtedness; neglecting to inform prospective customers of their right to a three-day cooling-off period in which they may cancel the contract and receive all monies paid. Respondent is further required to make all disclosures to customers required by Regulation Z of the Truth in Lending Act.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and of the Truth in Lending Act and the regulation promulgated thereunder, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Key Learning Systems, Inc., Key Training Service, Inc., and Automobile-Household-Education Credit and Finance Corporation, corporations, and George

Lewson, S. Wyman Rolph and Theodosia W. LaBarbera, individually and as officers of said corporations, hereinafter referred to as respondents, have violated the provisions of said Acts and of the regulation promulgated under the Truth in Lending Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Key Learning Systems, Inc. (hereinafter referred to as Key Learning), is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware with its principal office and place of business located at 301 Broadway, Riviera Beach, Florida.

Respondents Key Training Service, Inc. (hereinafter referred to as Key Training) and Automobile-Household-Education Credit and Finance Corporation (hereinafter referred to as Automobile-Household-Education) are corporations organized, existing and doing business under and by virtue of the laws of the State of Florida with their principal offices and places of business located at 301 Broadway, Riviera Beach, Florida. Key Training is a wholly-owned subsidiary of respondent Key Learning. Automobile-Household-Education is a wholly-owned subsidiary of respondent Key Training.

Respondents George Lewson, S. Wyman Rolph and Theodosia W. LaBarbera are officers of the corporate respondents. They formulate, direct and control the acts and practices of corporate respondents, including the acts and practices hereinafter set forth. Respondent George Lewson's address is 345 Park Avenue, New York, New York. Respondent S. Wyman Rolph's address is 292 Madison Avenue, New York, New York. Respondent Theodosia W. LaBarbera's address is the same as that of the corporate respondents.

PAR. 2. Respondent Key Learning, through its own operations and through its wholly-owned subsidiary corporation Key Training, is now, and for some time last past has been, engaged in the granting of licenses or franchises to corporations, partnerships and individuals located in various States of the United States and in the District of Columbia, to operate businesses specializing in the sale of respondents' courses of instruction which allegedly prepare purchasers thereof for civil service examinations. Respondents also engage directly in the sale of their courses of instruction which allegedly prepare purchasers thereof for civil service examinations. Respondents Key Training and Automobile-Household-Education are also engaged in the collection of alleged delinquent accounts arising from the sale of courses of instruction as aforesaid.

In connection with the granting of said licenses or franchises to sell Key Learning courses of instruction, respondents require their franchisees-licensees (hereinafter identified as franchisees) to enter into agreements which require said franchisees to pay an initial sum of money for the license or franchise and a percentage of the total monies received by the franchisees for the sale of respondents' courses of instruction. Said franchisees are required to adhere to respondents advertising, sales and merchandising practices. Respondents exercise, and at all times mentioned herein have exercised, a continuing supervision and control over the acts and practices of their franchisees.

The manner in which respondents engage in the sale of courses of instruction at outlets which are directly owned or controlled by respondents is similar in all material respects to the manner of operation required of respondents' franchisees.

COUNT I

Alleging violations of Section 5 of the Federal Trade Commission Act, the allegations of numbered Paragraphs One and Two hereof are incorporated by reference in Count I as if fully set forth verbatim.

PAR. 3. In the course and conduct of their business, as aforesaid, respondents now cause, and for some time last past have caused, said courses of study and instruction to be transported from their place of business in the State of Florida to purchasers thereof located in various other States of the United States and in the District of Columbia. In the further course and conduct of their business as aforesaid, respondents transmit to and receive from their franchisees throughout the United States and in the District of Columbia, checks, contracts and other instruments of a commercial nature. Respondents maintain, and at all times mentioned herein have maintained, a course of trade in said courses of study in commerce as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their business, as aforesaid, and for the purpose of inducing enrollment in their courses of study and instruction, respondents and their representatives have made many statements and representations in their advertising and other written material and through oral statements made by their representatives in regard to said courses.

Typical and illustrative of statements in respondents' newspaper advertisements, but not all inclusive thereof, are the following:

MEN–WOMEN 18–40

TRAIN NOW FOR

Civil Service Exams

No Experience—No High School

POSTAL CLERKS

Starting Pay is

$3.50 HOUR

U.S. Clerks File Clerks

100 of other type jobs

Keep your present job while training

KEY TRAINING

111 N.E. 2nd Avenue, Rm. 301

WALK IN TODAY

or call now—9 AM to 8 PM

373–3101

Applications being accepted now!

MEN AND WOMEN NEEDED IN GOVERNMENT WORK

High pay and secure jobs may be yours in Civil Service. Grammar school sufficient for many jobs. Send for list of typical jobs and salaries and how you can prepare at home for government entrance exams * * *

PAR. 5. By and through the use of the aforesaid statements and representations and others of similar import and meaning not specifically set forth herein, and through oral statements made by their salesmen or representatives, respondents have represented directly or by implication that:

1. Respondents and their agents, representatives and employees are connected with the United States Civil Service Commission, or some other branch or agency of the United States Government.

2. Respondents are engaged in soliciting applications and in the selection and training of persons for employment with the United States Government in specific civil service positions, and that respondents' sales representatives possess the necessary qualifications and special knowledge which would enable them to determine the qualifications of enrollees or prospective enrollees for such positions.

3. Respondents possess specialized information and knowledge concerning openings in various civil service positions and the availability of such positions in various areas.

4. Respondents provide purchasers with specific courses of instruction for all civil service positions.

5. The completion of respondents' courses of study makes persons eligible for appointment to, or assures them of, or guarantees United States Civil Service positions.

PAR. 6. In truth and in fact:

1. Respondents and their representatives and employees are not connected with the United States Civil Service Commission or any other branch or agency of the United States Government.

2. Respondents are not engaged in soliciting applications or in the selection or training of persons for employment with the United States Civil Service, and respondents' sales representatives do not possess the necessary qualifications and special knowledge which would enable them to determine a person's qualifications for the various civil service positions listed in their advertising.

3. Respondents possess no specialized information or knowledge concerning civil service job openings or concerning the availability of such positions in any specific area of the United States.

4. Respondents do not provide specific courses of instruction for all Civil Service positions. Rather, their courses of instruction relate only to clerical filing and postal clerk positions.

5. The completion of respondents' courses of study does not make persons eligible for appointment to, or assure them of, or guarantee United States Civil Service positions.

PAR. 7. In the further course and conduct of their business, and in furtherance of their purpose of inducing the purchase of said courses of study by the general public, respondents directly or indirectly through oral representations in a substantial number of instances have induced customers to sign contracts by falsely and deceptively representing that they will not become effective or binding until all monies required for the downpayment are received. In truth and in fact, the contracts are forwarded to their home office for acceptance, and accepted, without further monies being received as a downpayment.

Therefore, respondents' statements, representations, acts and practices, as set forth in Paragraphs Four, Five and Seven, were, and are, unfair, false, misleading and deceptive.

PAR. 8. In the course and conduct of their business, as aforesaid, respondents transmitted and mailed, to alleged delinquent debtors, various forms and other printed materials.

Typical and illustrative of such forms and materials, but not all inclusive thereof, are the following:

* * * Key reluctantly has been forced to reassign this obligation to us for collection.

AUTOMOBILE-HOUSEHOLD-EDUCATION
CREDIT AND FINANCE CORPORATION.

* * * avoid more late charges, plus the embarrassment of being served with a summons and having to pay the total balance due plus all court costs and charges. Reply immediately, or notice of your delinquency will also be sent to your local credit bureau. This will always appear on your credit record. Avoid this costly mistake!

KEY TRAINING SERVICE, INC.

PAR. 9. By and through the use of the aforesaid statements and representations listed in Paragraph Eight, and others of similar import and meaning not specifically set forth herein, respondents represent, directly or by implication that:

1. Respondent Automobile-Household-Education is a bona fide independent collection agency which has purchased or been assigned the delinquent accounts of Key Learning and Key Training.

2. Failure of an alleged delinquent debtor to remit money to respondent will result in the immediate institution of legal action to effect payment.

3. Failure of an alleged delinquent debtor to remit money to respondent will result in a judgment being taken by respondent without permitting the alleged delinquent debtor to assert any real or personal defenses to the course of action.

4. The general or public credit rating or standing of any alleged delinquent debtor will be adversely affected unless payment is made.

PAR. 10. In truth and in fact:

1. Respondent Automobile-Household-Education is simply a corporate device used by respondents Key Learning and Key Training to collect their delinquent accounts and is not an independent collection agency which has purchased or been assigned said delinquent accounts.

2. The failure of an alleged delinquent debtor to remit money to respondents does not always result in the immediate institution of legal action. On the contrary, legal proceedings are not generally used as a collection device.

3. The failure of an alleged delinquent debtor to remit money to respondents seldom, if ever, results in a judgment being taken against him without being afforded the opportunity to assert any real or personal defenses he may have.

4. Respondents seldom, if ever, take any action which adversely affects the general or public credit rating of an alleged delinquent debtor.

Therefore, respondents' statements, representations, acts and practices, and their failure to reveal material facts as set forth in Paragraphs Nine and Ten hereof were, and are, unfair, false, misleading and deceptive.

PAR. 11. Through the granting of licenses or franchises to engage in the sale of respondents' courses of study to corporations, partnerships and individuals using respondents' materials and Key Learning's plan or method of doing business, respondents placed in the hands of others the means and instrumentalities by and through which they mislead and deceived the public in the manner and as to the things hereinabove set forth.

PAR. 12. In the conduct of their aforesaid business, at all times mentioned herein, respondents have been in substantial competition, in commerce, with corporations, firms and individuals in the sale of home study courses of the same general kind and nature as that sold by respondents.

PAR. 13. The use by respondents of the aforesaid false, misleading and deceptive statements, representations and practices has had, and now has, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were and are true and to induce a substantial number thereof to purchase said courses of study and instruction.

PAR. 14. The aforesaid acts and practices of respondents, as herein alleged, were and are all to the prejudice and injury of the public and of respondents' competitors and constituted, and now constitute unfair methods of competition in commerce and deceptive acts and practices in commerce, in violation of Section 5 of the Federal Trade Commission Act.

COUNT II

Alleging violations of the Truth in Lending Act and the implementing regulation promulgated thereunder, and of the Federal Trade Commission Act, the allegations of Paragraphs One and Two hereof are incorporated by reference in Count II as if fully set forth verbatim.

PAR. 15. In the ordinary course and conduct of their business, as aforesaid, respondents regularly extend consumer credit, as "consumer credit" is defined in Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 16. Subsequent to July 1, 1969, respondent in the ordinary course and conduct of their business and in connection with their extension of consumer credit, prepare enrollment agreements containing consumer credit cost disclosures required by Section 226.8 of Regulation Z and obtain from customers written acknowledgment of receipt of these disclosures. In the enrollment agreement, respondents fail to disclose the amount, or method of computing the amount, of any delinquency or similar charges payable in the event of late payment as required by Section 226.8(b)(4) of Regulation Z. Respondents do not furnish customers with any other consumer credit cost disclosures.

PAR. 17. Pursuant to Section 103(q) of the Truth in Lending Act, respondents' aforesaid failures to comply with the provisions of Regulation Z constitute violations of that Act and, pursuant to Section 108(c) thereof, respondents have thereby violated the Federal Trade Commission Act.

DECISION AND ORDER

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

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the 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 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 thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Key Learning Systems, Inc., (hereinafter referred to as Key Learning) is a corporation organized, existing and doing

business under and by virtue of the laws of the State of Delaware with its principal office and place of business located at 301 Broadway, Riviera Beach, Florida.

Respondents Key Training Service, Inc., (hereinafter referred to as Key Training) and Automobile-Household-Education Credit and Finance Corporation (hereinafter referred to as Automobile-Household-Education) are corporations organized, existing and doing business under and by virtue of the laws of the State of Florida with their principal offices and places of business located at 301 Broadway, Riviera Beach, Florida. Key Training is a wholly-owned subsidiary of respondent Key Learning. Automobile-Household-Education is a wholly-owned subsidiary of respondent Key Training.

Respondents George Lewson, S. Wyman Rolph and Theodosia W. LaBarbera are officers of said corporations. They formulate, direct and control the policies, acts and practices of said corporations. Respondent George Lewson's address is 345 Park Avenue, New York, New York. Respondent S. Wyman Rolph's address is 292 Madison Avenue, New York, New York. Respondent Theodosia W. LaBarbera's address is the same as that of said corporations.

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

ORDER

COUNT I

It is ordered, That respondents Key Learning Systems, Inc., Key Training Service, Inc., and Automobile-Household-Education Credit and Finance Corporation, corporations, their successors and assigns, their officers, and George Lewson, S. Wyman Rolph and Theodosia W. LaBarbera, individually and as officers of said corporations, and respondents' agents, representatives and employees, directly or through any corporation, subsidiary, division, licensee, franchisee, or other device in connection with advertising, offering for sale, sale or distribution of courses of study or instruction or any other services or products, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing, directly or by implication, that respondents' business is connected with any branch or agency of the United States Government or with any state or local governmental agency.

2. Representing, directly or by implication, that respondents and their franchisees are engaged in soliciting applications for the purpose of selecting or training persons for civil service employment with the United States Government, or that respondents' representatives possess the necessary qualifications and special

knowledge which would enable them to determine the qualifications of persons for such employment, or that respondents are engaged in any business other than that in which they are actually engaged.

3. Representing, directly or by implication, that respondents' and their franchisees have any specialized knowledge or information concerning civil service job openings or the availability of civil service positions in any area, or misrepresenting in any manner the availability of civil service jobs.

4. Representing, directly or by implication, that respondents have available, and can provide, specialized training courses of study to their purchasers for every position within the civil service.

5. Representing, directly or by implication, that persons completing any course of study are assured of or will obtain civil service positions.

6. Representing, directly or by implication, that contracts executed by the purchasers of respondents' courses of instruction will not be effective, binding or accepted by them until all monies required for the "downpayment" or similar preliminary payments, are received; or misrepresenting in any manner the nature and legal characteristics of any enrollment or other contract.

7. Failing to clearly and conspicuously disclose in all advertising, orally prior to the time of the sale and in writing on any enrollment agreement or contract, that respondents are a private business enterprise engaged in the solicitation and sale of a course of study and instruction; that respondents have no connection with any branch or agency of the United States Government, or with any state or local governmental agency, and that the purpose of such contact is to sell a course of study.

8. Misrepresenting, in any manner, the nature of respondents' business or the purpose of respondents' initial contact with prospective customers.

9. Representing, directly or by implication, that Automobile-Household-Education, or any other similar corporate division, subsidiary, licensee, franchisee, or device is an independent or separate organization from the said business enterprise operated by respondents. That any collection agency is an independent separate organization, or a bona fide assignee or purchaser of accounts receivable when it is owned, operated and controlled by respondents.

10. Representing, directly or by implication, that legal action may be instituted unless it is intended in good faith that such legal action may be instituted; or misrepresenting in any manner the

action to be taken or results of any action which may be taken to effect payment of any such account or alleged debt.

11. Representing, directly or by implication, that in the event of nonpayment or delinquency or any account or alleged debt arising from any enrollment contract or other purchase agreement, the general or public credit rating or standing of any person may be adversely affected, unless respondents refer the information concerning such delinquency to a bona fide credit reporting agency.

12. Contracting for any sale whether in the form of an enrollment contract or other purchase agreement which shall become binding on the purchaser prior to midnight of the third day, excluding Sundays and legal holidays, after the date of execution.

13. Failing to disclose, orally prior to the time of sale and in writing on any enrollment contract or other purchase agreement signed by the purchaser with such conspicuousness and clarity as is likely to be observed and read by such purchaser, that the purchaser may rescind or cancel the sale by directing or mailing a notice of cancellation to respondents' address prior to midnight of the third day, excluding Sundays and legal holidays, after the date upon which the purchaser signed such enrollment contract or purchase agreement.

14. Failing to provide a separate and clearly understandable form showing the respondents' name and address and which the buyer may use as a notice of cancellation.

15. Failing to refund immediately all monies to (1) purchasers who have requested contract cancellation in writing within three business days from the sale thereof, and (2) purchasers showing that respondents' solicitations or performances were attended by or involved violation of any of the provisions of this order.

16. Failing to:

(a) Deliver by ordinary mail a copy of this order to each present and every future licensee or franchisee; and failing to obtain an agreement in writing from each present and every future licensee or franchisee to abide by the terms of this order. *Provided, however*, That as to any licensee or franchisee whose franchise agreement is in effect as of the effective date of this order, respondents' failure to obtain said agreement to abide by the terms of the order shall not be deemed a violation of this provision if, after having made a diligent effort to obtain said agreement from any such licensee or franchisee and such licensee or franchisee having failed or refused to execute such agreement, respondents inform the Commission of the identity of such licensee or franchisee.

(b) Institute a program of continuing surveillance adequate to reveal whether the business of each licensee and franchisee so described in Paragraph (a) above conforms to the requirements of this order.

COUNT II

It is further ordered, That respondents Key Learning Systems, Inc., Key Training Service, Inc., and Automobile-Household-Education Credit and Finance Corporation, corporations, their successors and assigns, their officers, and George Lewson, S. Wyman Rolph and Theodosia W. LaBarbera, individually and as officers of said corporations, and respondents' agents, representatives and employees directly or through any corporation, subsidiary, division, licensee, franchisee, or other device in connection with any extension of consumer credit, or any advertisement to aid, promote or assist directly or indirectly any extension of consumer credit, as "consumer credit" and "advertisement" are defined in Regulation Z (12 C.F.R. § 226) of the Truth in Lending Act (Pub. L. 90–321, 15 U.S.C. 1601, *et seq.*), do forthwith cease and desist from:

1. Failing to disclose the amount, or method of computing the amount, of any default, delinquency, or similar charges payable in the event of late payments as required by Section 226.8(b)(4) of Regulation Z.

2. Failing, in any consumer credit transaction or advertisement, to make all disclosures, determined in accordance with Sections 226.4 and 226.5 of Regulation Z, in the manner, form and amount required by Sections 226.6, 226.8 and 226.10 of Regulation Z.

It is further ordered, That respondent corporations shall forthwith distribute a copy of this order to each of their operating divisions or departments.

It is further ordered, That respondents and their franchisees deliver a copy of this order to cease and desist to all present and future personnel engaged in the offering for sale, or sale of any product or service, and in the consummation of any extension of consumer credit, or in any aspect of preparation, creation, or placing of advertising, and that respondents and their franchisees secure a signed statement acknowledging receipt of said order from each such person.

It is further ordered, That respondents notify the Commission at least thirty (30) days after any change in the corporate respondents 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 corporations which may affect compliance obligations arising out of the order

It is further ordered, That respondents herein shall, within sixty (60) days after service upon them 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.

IN THE MATTER OF

GAC FINANCE INC., ET AL.

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

Docket C-2276. Complaint, Sept. 5, 1972—Decision Sept. 5, 1972.

Consent order requiring an Allentown, Pennsylvania, personal income tax preparation service, among other things, to cease misrepresenting the terms and conditions of any guarantee; failing to disclose respondents' responsibility for, or obligation resulting from, errors attributable to respondents preparation of tax returns; misrepresenting the training or competence of respondents' tax preparation personnel.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that GAC Finance Inc., and GAC Tax Returns Inc., corporations, hereinafter referred to as respondents, have violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent GAC Finance Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania, with its principal office and place of business located at 1105 Hamilton Street in the city of Allentown, Commonwealth of Pennsylvania.

Respondent GAC Tax Returns Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania with its principal office and place of business located at 1105 Hamilton Street, in the city of Allentown, Commonwealth of Pennsylvania. It is wholly-owned subsidiary of, and is managed, directed and controlled by, respondent GAC Finance Inc.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the advertising, offering for sale and sale of personal income tax preparation services to the general public.

Respondents sell their aforesaid services directly and through various corporate subsidiaries and affiliates, hereinafter referred to for convenience as respondents' representatives.

PAR. 3. In the course and conduct of their buisiness as aforesaid, respondents now cause, and for some time last past have caused, monies, contracts, business forms and other commercial paper and printed materials in connection with said income tax preparation services to be sent by U.S. mail from respondents' place of business in the Commonwealth of Pennsylvania to their local offices and subsidiaries and purchasers of respondents' products and services located in various other States of the United States, and maintain, and at all times mentioned hereafter have maintained, a substantial course of trade in said services in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their aforesaid business, respondents and their representatives have disseminated, and caused the dissemination of, certain advertisements concerning the said income tax preparation services by various means in commerce, as "commerce" is defined in the Federal Trade Commission Act for the purpose of inducing and which were likely to induce, directly or indirectly, the purchase of said income tax preparation services.

PAR. 5. For the purpose of disseminating such advertisements, respondents and their representatives have employed television and radio commercial broadcasts, newspaper and periodical insertions, direct mail literature and point of sale promotional materials.

Typical of the statements and representations in said advertisements, but not all inclusive thereof, are the following:

1. Newspapers:

(a) Relax, while one of our tax specialists helps you claim all you can on every legal deduction and exemption. The result could mean a savings far above the cost of our service—which starts at only $5.00. Your return is triple-checked and guaranteed accurate. If the IRS finds errors, we pay the penalties or interest.

(b) Worried about mistakes on your income tax? No need to be! GAC Tax Returns will prepare your return for you * * * and guarantee the accuracy.

(c) Income tax can turn you into a monster. But there is no need to let it. Because for $5.00 and up, GAC Tax Returns will do the work for you * * * guarantee the accuracy * * * and make sure you get the deductions and exemptions you're entitled to.

(d) Bloodshot eyes? They come easy * * * when you do your own income tax. But this year, you can avoid them. Because GAC Tax Returns will do the work for you * * * for as little as $5.00 and up. Your return will be guaranteed accurate, and you'll receive the deductions and exemptions you're entitled to.

This could save you more than the cost of the service. Just bring your tax records—cancelled checks, receipts—to any nearby GAC Tax Returns office. And count on a return with accuracy guaranteed.

2. Radio:

(a) Don't wait until the last minute to tackle your income tax return. If you do, chances are you'll rush through it to meet the April 15th deadline. And you just might let a few deductions and exemptions slip by. The result? Wasted money. Start early. Take time to give a lot of thought to every possible deduction and exemption. And if you're not sure about all of them, take care of your return the easy, economical way. See GAC Tax Returns. For as low as $5.00, you'll get an accurate, guranteed, tax return.

(b) This year alone, about three out of four people will probably overpay Uncle Sam at tax time. Why? Because they just don't know all the deductions and exemptions they're entitled to. For example, many senior citizens fail to claim all the tax allowances on their retirement income.

But there's no need to be confused about what you can and cannot claim. Just stop in any GAC Tax Return's office. For as low as $5.00, we'll help you claim all you can, and guarantee the accuracy of your return.

PAR. 6. By and through the use of the above-quoted statements and representations, and others of similar import and meaning, but not expressly set out herein, respondents and their representatives have represented, and are now representing, directly or by implication, that:

1. Respondents will guarantee the accuracy of the taxpayer's return by reimbursing the taxpayer for any payments the tax payer may be required to make in addition to his initial tax payment, if such additional payments result from an error made by respondents and their representatives in the preparation of the tax return.

2. Respondents' and their representatives' tax preparing personnel are especially trained and unusually competent in the preparation of tax returns and the giving of tax advice, and that they have the ability and capacity to prepare and give advice concerning complex and detailed income tax returns.

PAR. 7. In truth and in fact:

1. Respondents' guarantee is not unconditional since they do not reimburse the tax payer for all payments he is required to make in addition to his initial tax payment if such additional payments result from error made by respondents and their representatives in the preparation of the tax return.

2. Respondents' tax preparing personnel are not specially trained and unusually competent in the preparation of tax returns and the giving of tax advice, and they do not have the ability and capacity to prepare and give advice concerning complex and detailed income tax returns.

Therefore, the statements and representations set forth in Paragraphs Five and Six hereof were, and are, false and misleading and deceptive.

PAR. 8. In the course and conduct of their aforesaid business, and at all times mentioned herein, respondents have been, and now are, in substantial competition, in commerce, with corporations, firms and individuals in the sale of income tax preparation services of the same general kind and nature as those sold by repondents.

PAR. 9. The use by respondents and their representatives of the aforesaid false, misleading and deceptive statements and representations, and unfair acts and practices, has had, and now has, the capacity and tendency to mislead members of the public into the erroneous and mistaken belief that said statements and representations were and are true and into the purchase of the respondents' and their representatives' income tax preparation services by reason of said erroneous and mistaken belief.

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

DECISION AND ORDER

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

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the complaint to issue herein, 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 the respondents have violated the said Act, and that 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 thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission

hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent GAC Finance Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania, with its principal office and place of business located at 1105 Hamilton Street, in the city of Allentown, Commonwealth of Pennsylvania.

Respondent GAC Tax Returns Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania, with its principal office and place of business located at 1105 Hamilton Street, in the city of Allentown, Commonwealth of Pennsylvania. It is a wholly-owned subsidiary of, and is managed, directed and controlled by, respondent GAC Finance Inc.

2. 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

It is ordered, That respondents GAC Finance Inc., a corporation, and GAC Tax Returns Inc., a corporation, their successors and assigns, and their officers, and respondents' agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the preparation of income tax returns, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Using any guarantee without clearly and conspicuously disclosing the terms, conditions and limitations of any such guarantee; or misrepresenting, in any manner, the terms and conditions of any guarantee.

2. Representing, orally or in writing, directly or by implication, that respondents will reimburse their customers for any payments the customer may be required to make in addition to his initial tax payment, in instances where such additional payments result from an error by respondents in the preparation of the tax return; *Provided, however*, nothing herein shall prevent truthful representations that respondents will reimburse their customers for interest or penalty payments resulting from respondents' error.

3. Failing to disclose, clearly and conspicuously, whenever respondents make any representation, orally or in writing, directly or by implication, as to their responsibility for, or obligation resulting from, errors attributable to respondents in the preparation of tax returns, that respondents will not assume the liability for additional taxes assessed against the tax payer.

4. Representing, orally or in writing, directly or by implication, that respondents' tax preparation personnel are tax specialists or unusually competent in the preparation of tax returns or the giving of tax advice; or misrepresenting in any manner the training or competence of respondents' tax preparation personnel.

It is further ordered, That:

a. The respondent corporations shall forthwith distribute a copy of this order to each of their operating divisions involved in the preparation of tax returns for the general public.

b. Respondents shall deliver a copy of this order to all of their present and future tax preparation personnel and that respondents secure a signed statement acknowledging receipt of said order from each such person.

c. The respondent GAC Tax Returns Inc., shall, within sixty (60) days after service upon it of this order, send a letter to the last known address of each of its tax return customers for the most recent past year, clearly and accurately explaining the terms, conditions and limitations of respondent's policy regarding its responsibility for, or obligation resulting from errors attributable to respondent in the preparation of tax returns.

d. Respondents shall within sixty (60) days after service upon them of this order, file with the Commission a report in writing setting forth in detail the manner and form of their compliance with this order.

e. Respondents notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondents 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 corporations which may affect compliance obligations arising out of this order.

IN THE MATTER OF

CARPET INTERIORS, ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE FEDERAL TRADE COMMISSION, THE TEXTILE FIBER PRODUCTS IDENTIFICATION AND THE TRUTH IN LENDING ACTS

Docket C-2277. Complaint, Sept. 6, 1972—Decision, Sept. 6, 1972.

Consent order requiring a Folcroft, Pennsylvania, seller and distributor of carpeting and other merchandise, among other things to cease representing that any price for their merchandise is a special or reduced price, unless

such price constitutes a significant reduction from the established selling price; advertising for the purpose of obtaining leads or prospects unless the advertised products are capable of performing their advertised function and an adequate stock is maintained; disparaging or refusing to sell any product advertised; misrepresenting the quality or properties of any of their merchandise; falsely advertising, deceptively guaranteeing, and misbranding their textile fiber products; and failing to disclose to customers any disclosures required by Regulation Z of the Truth in Lending Act. Respondents are further required to include on the face of its notes a notice that if the contract is sold to a third party, the customer may be required to make payments to someone other than the seller even if the purchase contract is not fulfilled.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, the Textile Fiber Products Identification Act, the Truth in Lending Act and the implementing regulation promulgated thereunder, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Carpet Interiors, a corporation, trading and doing business as Remnant City, and Rudolph J. Pentima and Marvin Zeitz, individually and as officers of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts, the implementing regulation, and the rules and regulations promulgated under the Textile Fiber Products Identification Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Carpet Interiors, trading and doing business as Remnant City, is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania, with its office and place of business located at 1852 Delmar Drive, in Folcroft, Commonwealth of Pennsylvania.

Respondents Rudolph J. Pentima and Marvin Zeitz are individuals and officers of said corporation. They formulate, direct and control the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. Their business address is the same as that of the corporate respondent.

The respondents cooperate and act together in carrying out the acts and practices hereinafter set forth.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the advertising, offering for sale, sale and distribution of carpeting and other merchandise to the public.

COUNT I

Alleging violations of Section 5 of the Federal Trade Commission Act, the allegations of Paragraphs One and Two, hereof, are incorporated by reference in Count I as if fully set forth verbatim.

PAR. 3. In the course and conduct of their business, as aforesaid, respondents now cause, and for some time last past have caused, their said merchandise, when sold, to be shipped from their place of business in the Commonwealth of Pennsylvania to purchasers thereof located in various States of the United States and maintain, and at all times mentioned herein have maintained, a substantial course of trade in said merchandise in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their aforesaid business, and for the purpose of inducing the purchase of their merchandise, the respondents have made, and are now making, numerous statements and representations in advertisements inserted in newspapers, disseminated through the mails and by means of television broadcasts and by other media with respect to the nature and limitations of their offers, the prices, quality and guarantees of their merchandise.

Typical and illustrative of such statements and representations, but not all-inclusive thereof, are the following:

Christmas Warehouse SALE
SAVE HUNDREDS

$129	$149
100% Nylon Pile	501 Nylon Continuous Filament
* * * *	* * *
$189	$239
Dupont 501 Nylon Pile	Acrilan Cut Pile
* * * *	* * *
$269	$359
Acrilan Cut Pile	Kodel Embossed Patterns

(The above-stated prices and quality designations are imprinted on photographs of carpeting which appears to be of superior grade.)

20 year guarantee
WAREHOUSE SALE—3 DAYS ONLY
NO MONEY DOWN

PAR. 5. By and through the use of the above-quoted statements and representations, and others of similar import and meaning not expressly set out herein, respondents have represented, and are now representing, directly or by implication, that:

1. During the period of their advertised "Christmas Warehouse SALE," or words of similar import and meaning, their advertised prices of their carpeting represent a reduction from the prices at which they have made a bona fide offer to sell, or have sold, said carpeting on a regular basis for a reasonably substantial period of time in the recent, regular course of their business.

2. Purchasers of their carpeting realize a savings of hundreds of dollars from the actual prices at which such carpeting was offered for sale, or was sold, by respondents in good faith for a reasonably substantial period of time in the recent, regular course of their business.

3. Their represented reduced prices for their carpeting are offered only during the limited period of the sale and such reduced prices will be returned to their pre-sale bona fide offering price or to some other substantially higher amount immediately after completion of the sale.

4. Their offers, as set forth in their advertisements, are bona fide offers to sell their advertised carpeting at the prices and on the terms and conditions stated.

5. Their advertised carpeting has the general appearance, texture and thickness of superior grade carpeting in comon use.

6. Their carpeting is unconditionally guaranteed for a definite period of time.

PAR. 6. In truth and in fact:

1. During the period of their advertised "Christmas Warehouse SALE," or words of similar import and meaning, the advertised prices of respondents' carpeting do not represent a reduction from the prices at which respondents have made a bona fide offer to sell, or have sold, such carpeting on a regular basis for a reasonably substantial period of time in the recent, regular course of their business.

2. Purchasers of respondents' carpeting do not realize a savings of hundreds of dollars or any other significant amount from the actual prices at which such carpeting was offered for sale, or was sold, by respondents for a reasonably substantial period of time in the recent, regular course of their business.

3. Respondents' represented reduced prices are not offered for a limited period of time, but are the prices at which respondents sell, or offer to sell, their carpeting on a regular basis for a reasonably substantial period of time in the recent, regular course of their business.

4. Respondents' offers are not genuine or bona fide offers to sell their advertised carpeting at the prices and on the terms and conditions stated but are made for the purpose of obtaining leads as to persons interested in the purchase of their carpeting. After obtaining such leads through response to said advertisements, respondents' salesmen

called upon such persons, but made no effort to sell the advertised carpeting. Instead, they exhibited what they represented to be the advertised carpeting which, because of its poor appearance and condition, was usually rejected on sight by the prospective purchaser. Concurrently, higher priced carpeting of superior quality and texture was presented, which by comparison disparaged and demeaned the advertised carpeting. By these and other tactics, the purchase of the advertised carpeting was discouraged, and respondents, through their salesmen, attempted to, and frequently did, sell the higher priced carpeting.

5. Respondents' advertised carpeting does not have the general appearance, texture or thickness of superior grade carpeting in common use.

6. Respondents' carpeting is not unconditionally guaranteed in every respect without conditions or limitations for a definite period of time. Such guarantees as may be furnished in connection therewith are subject to numerous terms, conditions and limitations and fail to set forth the nature and extent of the guarantee, the identity of the guarantor and the manner in which the guarantor will perform thereunder.

Therefore, the statements and representations set forth in Paragraph Four and Paragraph Five, hereof, were, and are, false, misleading and deceptive.

PAR. 7. In the further course and conduct of their business, and in furtherance of a sales program for inducing the purchase of their carpeting and floor coverings, respondents and their salesmen or representatives have engaged in the following additional unfair, false, misleading and deceptive act and practice:

In a substantial number of instances, and in the usual course of their business, respondents sell and transfer their customers' obligations, procured by the aforesaid unfair, false, misleading and deceptive means to various financial institutions. In any subsequent legal action to collect on such obligations, these financial institutions, or other third parties, as a general rule, may cut off various personal defenses, otherwise available to the obligor, arising out of respondents' failure to perform or out of other unfair, false, misleading or deceptive acts and practices on the part of respondents.

PAR. 8. In the course and conduct of their aforesaid business, and at all times mentioned herein, respondents have been, and now are, in substantial competition, in commerce, with corporations, firms and individuals engaged in the sale of merchandise of the same general kind and nature as the aforesaid merchandise sold by the respondents.

PAR. 9. The use by the respondents of the aforesaid false, misleading and deceptive statements, representations, acts and practices, and their failure to disclose material facts, as aforesaid, has had, and now has, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were, and are, true and complete and into the purchase of substantial quantities of respondents' merchandise by reason of said erroneous and mistaken belief. Respondents' aforesaid acts and practices unfairly cause the purchasing public to assume debts and obligations and to make payments of money which they might otherwise not have incurred.

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

COUNT II

Alleging violation of the Textile Fiber Products Identification Act and the implementing rules and regulations promulgated thereunder, and of the Federal Trade Commission Act, the allegations of Paragraphs One and Two hereof are incorporated by reference in Count II as if fully set forth verbatim.

PAR. 11. Respondents are now, and for some time last past have been, engaged in the introduction, delivery for introduction, sale, advertising, and offering for sale, in commerce, and in the transportation or causing to be transported in commerce, of textile fiber products including carpeting and floor covering and have sold, offered for sale, advertised, delivered, transported and caused to be transported, after shipment in commerce, textile fiber products, either in their original state or contained in other textile fiber products, as the terms "commerce" and "textile fiber product" are defined in the Textile Fiber Products Identification Act.

PAR. 12. Certain of said textile fiber products were misbranded by respondents within the intent and meaning of Section 4(a) of the Textile Fiber Products Identification Act and of the rules and regulations promulgated thereunder, in that they were falsely and deceptively advertised, or otherwise identified as to the name or amount of constituent fibers contained therein.

PAR. 13. Certain of said textile fiber products were falsely and deceptively advertised in that respondents in making disclosures or implications as to the fiber content of such textile fiber products in

written advertisements used to aid, promote, and to assist, directly or indirectly, in the sale or offering for sale of said products, failed to set forth the required information as to fiber content as specified by Section 4(c) of the Textile Fiber Products Identification Act, and in the manner and form prescribed by the rules and regulations promulgated under said Act.

PAR. 14. Among such textile fiber products, but not limited thereto, was carpeting which was falsely and deceptively advertised in *The Philadelphia Inquirer* and *The Philadelphia Bulletin*, newspapers published in the city of Philadelphia, Commonwealth of Pennsylvania, and having a wide circulation in the city of Philadelphia, Commonwealth of Pennsylvania and various other States of the United States, in that said carpeting was described by such fiber connoting terms among which, but not limited thereto, was "Acrilan," and the true generic names of the fiber contained in such carpeting was not set forth.

PAR. 15. By means of the aforesaid advertisements and others of similar import and meaning not specifically referred to herein, respondents have falsely and deceptively advertised textile fiber products in violation of the Textile Fiber Products Identification Act in that said textile fiber products were not advertised in accordance with the rules and regulations promulgated thereunder in the following respects:

1. In disclosing the fiber content information as to floor coverings containing exempted backings, fillings, or paddings, such disclosure was not made in such a manner as to indicate that such fiber content information related only to the face, pile or outer surface of the floor covering and not to the backing, filling or padding, in violation of Rule 11 of the aforesaid rules and regulations.

2. A fiber trademark was used in advertising textile fiber products, without a full disclosure of the fiber content information required by said Act, and the regulations promulgated thereunder, in at least one instance in said advertisement, in violation of Rule 41(a) of the aforesaid rules and regulations.

3. A fiber trademark was used in advertising textile fiber products, containing only one fiber and such fiber trademark did not appear, at least once in the said advertisement, in immediate proximity and conjunction with the generic name of the fiber, in plainly legible and conspicuous type, in violation of Rule 41(c) of the aforesaid rules and regulations.

PAR. 16. The acts and practices of respondents as set forth above were, and are, in violation of the Textile Fiber Products Identifica-

tion Act and the rules and regulations promulgated thereunder, and constituted, and now constitute, unfair and deceptive acts and practices, in commerce, and unfair methods of competition, in commerce, under the Federal Trade Commission Act.

COUNT III

Alleging violation of the Truth in Lending Act and the implementing regulation promulgated thereunder, and of the Federal Trade Commission Act, the allegations of Paragraph One and Paragraph Two, hereof, are incorporated by reference in Count III as if fully set forth verbatim.

PAR. 17. In the ordinary course and conduct of their business as aforesaid, respondents regularly extend consumer credit, as "consumer credit" is defined in Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 18. Subsequent to July 1, 1969, respondents in the ordinary course of business as aforesaid, and in connection with their credit sales, as "credit sale" is defined in Regulation Z, have caused, and are now causing, customers to execute binding retail installment contracts, hereinafter referred to as the contracts.

PAR. 19. By and through the use of said contracts, respondents:

1. Fail, in many instances, to disclose the "total downpayment" in the manner and form required by Section 226.8(c)(2) of Regulation Z.

2. Fail, in many instances, to disclose the "unpaid balance of cash price" in the manner and form required by Section 226.8(c)(3) of Regulation Z.

3. Fail, in many instances, to use the term "amount financed" to describe the amount of credit extended; and to disclose the amount of the "amount financed," as required by Section 226.8(c)(7) of Regulation Z.

4. Fail, in many instances, to use the term "finance charge" to describe the sum of all charges required by Section 226.4 of Regulation Z to be included therein; and to disclose the dollar amount of the "finance charge," as required by Section 226.8(c)(8)(i) of Regulation Z.

5. Fail, in many instances, to disclose the annual percentage rate, computed in accordance with Section 226.5 of Regulation Z, as required by Section 226.8(b)(2) of Regulation Z.

6. Fail, in many instances, to disclose the sum of the cash price, all charges which are included in the amount financed but which are not

part of the finance charge, and the finance charge, and to describe that sum as the "deferred payment price," as required by Section 226.8 (c) (8) (ii) of Regulation Z.

7. Fail, in many instances, to use the term "total of payments" to describe the sum of the payments scheduled to repay the indebtedness; and to disclose the number, dates and amounts of payments scheduled to repay the indebtedness, as required by Section 226.8(b)(3) of Regulation Z.

8. Fail, in many instances, to identify the method of computing any unearned portion of the finance charge in the event of prepayment of the obligation, as required by Section 226.8(b)(7) of Regulation Z.

9. Fail, in many instances, to make all disclosures required to be made by Sections 226.8(b) and 226.8(c) of Regulation Z, computed in accordance with Sections 226.4 and 226.5 of Regulation Z and disclosed in the form and manner prescribed under Section 226.6 of Regulation Z, in violation of Sections 226.6 and 226.8 of Regulation Z.

PAR. 20. By and through the use of respondents' contracts, in many instances, a security interest, as "security interest" is defined in Section 226.2(z) of Regulation Z, is or will be retained or acquired in real property which is used or expected to be used as the principal residence of the respondents' customers. Respondents' retention or acquisition of such security interest in said real property thereby entitles their credit customers to be given the right to rescind that transaction until midnight of the third business day following the consummation of the transaction or the date of delivery of all the disclosures required by Regulation Z, whichever is later.

Respondents have, in some instances, failed to give their credit customers the right to rescind until midnight of the third business day following the consummation of the transaction or the date of delivery of all disclosures, whichever is later, failed to fill in the dates so credit customers would know when the right to rescind expired, and have failed to set forth the "Effect of Rescission" in the rescission notice to their customers, as required by Sections 226.9(a) and (b) of Regulation Z.

PAR. 21. In the ordinary course of their business as aforesaid, respondents cause to be published advertisements of their merchandise and services, as "advertisements" is defined in Regulation Z. These advertisements aid, promote or assist, directly or indirectly, extensions of consumer credit in connection with the sale of these goods and services. By and through the use of the advertisements, respondents:

State that "No Money Down," thereby implying no downpayment is required in connection with a consumer credit transaction, without also stating all of the following items in terminology prescribed under Section 226.8 of Regulation Z, as required by Section 226.10(d)(2) thereof:

(i) the cash price;

(ii) the number, amount and due dates or period of payments scheduled to repay the indebtedness if the credit is extended;

(iii) the amount of the finance charge expressed as an annual percentage rate; and

(iv) the deferred payment price.

PAR. 22. Pursuant to Section 103(q) of the Truth in Lending Act, respondents' aforesaid failures to comply with the provisions of Regulation Z, constitute violations of that Act, and, pursuant to Section 108 thereof, respondents thereby violated the Federal Trade Commission Act.

DECISION AND ORDER

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

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the 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 the respondents have violated the said Act, and that 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 thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Carpet Interiors trading and doing business as Remnant City is a corporation organized, existing, and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania with its office and place of business located at 1852 Delmar Drive, in Folcroft, Commonwealth of Pennsylvania.

Respondents Rudolph J. Pentima and Marvin Zeitz are individuals and officers of said corporation. They formulate, direct and control the acts and practices of the corporate respondent, and their business address is the same as that of the corporate respondent.

2. 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 respondents Carpet Interiors, a corporation, trading and doing business as Remnant City, its successors and assigns, and its officers, and Rudolph J. Pentima and Marvin Zeitz, individually and as officers of said corporation, and respondents' agents, representatives and employees directly or through any corporation, subsidiary, division or other device, in connection with the advertising, offering for sale, sale or distribution of carpeting or any other merchandise in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Using the words "Christmas Warehouse SALE" or any other word or words of similar import or meaning to designate the price or prices of their merchandise, unless the price or prices of such merchandise being offered for sale constitutes a reduction, in an amount not so insignificant as to be meaningless, from the actual bona fide price at which such merchandise was sold or offered for sale to the public on a regular basis by respondents for a reasonably substantial period of time in the recent, regular course of their business.

2. Using the word "SAVE" or any other word or words of similar import or meaning in conjunction with a stated dollar or percentage amount of savings, unless the stated dollar or percentage amount of savings actually represents the difference between the offering price and the actual bona fide price at which such merchandise had been sold or offered for sale on a regular basis to the public by respondents for a reasonably substantial period of time in the recent, regular course of their business.

3. (a) Representing, orally or in writing, directly or by implication, that by purchasing any of said merchandise, customers are afforded savings amounting to the difference between respondents' stated price and respondents' former price unless such merchandise has been sold or offered for sale in good faith at the former price by respondents for a reasonably substantial period of time in the recent, regular course of their business.

(b) Representing, orally or in writing, directly or by implication, that by purchasing any of said merchandise, customers are afforded savings amounting to the difference between respondents' stated price and a compared price for said merchandise in respondents' trade area unless a substantial number of the principal retail outlets in the trade area regularly sell said merchandise at the compared price or some higher price.

(c) Representing, orally or in writing, directly or by implication, that by purchasing any of said merchandise, customers are afforded savings amounting to the difference between respondents' stated price and a compared value price for comparable merchandise, unless substantial sales of merchandise of like grade and quality are being made in the trade area at the compared price or a higher price and unless respondents have in good faith conducted a market survey or obtained a similar representative sample of price in their trade area which establishes the validity of said compared price and it is clearly and conspicuously disclosed that the comparison is with merchandise of like grade and quality.

4. Representing, orally or in writing, directly or by implication, that any price for their merchandise is a special or reduced price, unless such price constitutes a significant reduction from an established selling price at which such merchandise has been sold in substantial quantities by respondents in the recent, regular course of their business; or misrepresenting, in any manner, the savings available to purchasers.

5. Failing to maintain adequate records, (a) which disclose the facts upon which any savings claim, including pricing claims and similar representations of the type described in Paragraphs 1 through 4 of this order are based, and (b) from which the validity of any savings claim, including pricing claims and similar representations of the type described in Paragraphs 1 through 4 of this order can be determined.

6. Representing, orally or in writing, directly or by implication, that any offer is limited in point of time or restricted in any other manner, unless the represented limitation or restriction is actually imposed and in good faith adhered to by respondents.

7. Advertising or offering any products for sale for the purpose of obtaining leads or prospects for the sale of different products unless the advertised products are capable of adequately performing the function for which they are offered and respondents maintain an adequate and readily available stock of said products.

8. Disparaging, in any manner, or refusing to sell any product advertised.

9. Using any advertising, sales plan or procedure involving the use of false, deceptive or misleading statements or representations which are designed to obtain leads or prospects for the sale of other merchandise.

10. Representing, orally or in writing, directly or indirectly, that any products or services are offered for sale when such offer is not a bona fide offer to sell said products or services.

11. Representing, directly or by implication, through the use of photographs or in any other manner, that their inferior grade carpeting has the appearance, thickness or texture of superior grade carpeting in common use; or misrepresenting, in any manner, the appearance, thickness, texture or any other quality standard of their merchandise.

12. Representing, orally or in writing, directly or by implication, that any of their merchandise is guaranteed, unless the nature and extent of the guarantee, the identity of the guarantor and the manner in which the guarantor will perform thereunder are clearly and conspicuously disclosed; and unless respondents promptly and fully perform all of their obligations and requirements, directly or impliedly represented, under the terms of such guarantee.

13. Failing to incorporate the following statement on the face of all sales contracts, all notes or other instruments of indebtedness executed by or on behalf of respondents' customers with such conspicuousness and clarity as is likely to be read and understood by the purchaser:

NOTICE

If you are obtaining credit in connection with this purchase, you will be required to sign a promissory note, a sales contract or other instrument of indebtedness which may be purchased from the seller by a bank, finance company or any other third party. If such is the case, you will be required to make your

payments to someone other than the seller. You should be aware that if this happens you may have to pay the note, contract or other instrument of indebtedness in full to its new owner even if your purchase contract is not fulfilled.

II

It is further ordered, That respondents Carpet Interiors, a corporation, trading and doing business as Remnant City, its successors and assigns, and its officers, and Rudolph J. Pentima and Marvin Zeitz, individually and as officers of said corporation, and respondents' agents, representatives, and employees, directly or through any corporation, subsidiary, division or other device, in connection with the introduction, sale, advertising, or offering for sale, in commerce, or the transportation or causing to be transported in commerce of any textile fiber product; or in connection with the sale, offering for sale, advertising, delivery, transportation or causing to be transported, of any textile fiber product which has been advertised or offered for sale, in commerce; or in connection with the sale, offering for sale, advertising, delivery, transportation, or causing to be transported, after shipment in commerce, of any textile fiber product, whether in its original state or contained in other textile fiber products, as the terms "commerce" and "textile fiber product" are defined in the Textile Fiber Products Indentification Act, do forthwith cease and desist from:

A. Misbranding textile fiber products by falsely or deceptively stamping, tagging, labeling, invoicing, advertising or otherwise identifying such products as to the name or amount of the constituent fibers contained therein.

B. Falsely and deceptively advertising textile products by:

1. Making any representations by disclosure or by implication, as to fiber content of any textile fiber product in any written advertisement which is used to aid, promote or assist, directly or indirectly, in the sale, or offering for sale, of such textile fiber product unless the same information required to be shown on the stamp, tag, label or other means of identification under Sections 4(b)(1) and (2) of the Textile Fiber Products Identification Act is contained in the said advertisement, except that the percentages of the fibers present in the textile fiber product need not be stated.

2. Failing to set forth in advertising the fiber content of floor covering containing exempted backings, fillings or paddings, that such disclosures relates only to the face, pile or outer surface of such textile fiber products and not to the exempted backings, fillings or paddings.

3. Using a fiber trademark in advertising textile fiber products without a full disclosure of the required fiber content information in at least one instance in said advertisement.

4. Using a fiber trademark in advertising textile fiber products containing only one fiber without such fiber trademark appearing at least once in the advertisement, in immediate proximity and conjunction with the generic name of the fiber, in plainly legible and conspicuous type.

III

It is further ordered, That respondents Carpet Interiors, a corporation, trading and doing business as Remnant City, its successors and assigns, and its officers, and Rudolph J. Pentima and Marvin Zeitz, individually and as officers of said corporation, and respondents' agents, representatives and employees directly or through any corporation, subsidiary, division or other device, in connection with any extension of consumer credit or any advertisement to aid, promote or assist, directly or indirectly, any extension of consumer credit, as "consumer credit" and "advertisement" are defined in Regulation Z (12 C.F.R. § 226) of the Truth in Lending Act (Pub. L. 90–321, 15 U.S.C. 1601 *et seq.*), or in connection with any advertisement to aid, promote or assist, directly or indirectly, any extension of consumer credit as "advertisement" and "consumer credit" are defined in Regulation Z, do forthwith cease and desist from:

1. Failing to disclose the "total downpayment" in the manner and form required by Section 226.8(c)(2) of Regulation Z.

2. Failing to disclose the "unpaid balance of cash price" in the manner and form required by Section 226.8(c)(3) of Regulation Z.

3. Failing to use the term "amount financed" to describe the amount of credit extended; and to disclose the amount of the "amount financed," as required by Section 226.8(c)(7) of Regulation Z.

4. Failing to use the term "finance charge" to describe the sum of all charges required by Section 226.4 of Regulation Z to be included therein; and to disclose the dollar amount of the "finance charge" as required by Section 226.8(c)(8)(i) of Regulation Z.

5. Failing to disclose the annual percentage rate, computed in accordance with Section 226.5 of Regulation Z, as required by Section 226.8(b)(2) of Regulation Z.

6. Failing to disclose the sum of the cash price, all charges which are included in the amount financed but which are not

part of the finance charge, and the finance charge, and to describe that sum as "deferred payment price" as required by Section 226.8 (c) (8) (ii) of Regulation Z.

7. Failing to use the term "total of payments" to describe the sum of the payments scheduled to repay the indebtedness; and to disclose the number, dates and amount of the sum of payments scheduled to repay the indebtedness, as required by Section 226.8 (b) (3) of Regulation Z.

8. Failing to identify the method of computing any unearned portion of the finance charge in the event of prepayment of the obligation as required by Section 226.8 (b) (7) of Regulation Z.

9. (a) Failing in any transaction in which respondents retain or acquire a security interest in real property which is used or expected to be used as the principal residence of the customer to comply with all requirements regarding the right of rescission set forth in Section 226.9 of Regulation Z.

(b) Failing to disclose, or to accurately disclose on the notice of rescission, the date on which the customer's right of rescission expires, said date being not earlier than the third business day following the date of the transaction, as required by Section 226.9 (b) of Regulation Z.

10. Representing, directly or by implication, in any advertisement, as "advertisement" is defined in Regulation Z, the amount of the downpayment required or that no downpayment is required, the amount of any installment payment, the dollar amount of any finance charge, the number of installments or the period of repayment, or that there is no charge for credit, unless all of the following items are stated in terminology prescribed under Section 226.8 of Regulation Z.

(i) the cash price;

(ii) the amount of the downpayment required or that no downpayment is required, as applicable;

(iii) the number, amount, and due dates or period of payments scheduled to repay the indebtedness if the credit is extended;

(iv) the amount of the finance charge expressed as an annual percentage rate; and

(v) the deferred payment price.

11. Failing in any consumer credit transaction or advertising to make all disclosures determined in accordance with Sections 226.4 and 226.5 of Regulation Z at the time and in the manner, form and amount required by Sections 226.6, 226.8, 226.9 and 226.10 of Regulation Z.

It is further ordered:

a. That the respondents herein shall forthwith distribute a copy of this order to each of their respective operating divisions or departments.

b. That the respondents herein shall forthwith distribute a copy of this order to all present and future personnel of respondents engaged in the offering for sale, or sale, of any carpeting or any other merchandise offered for sale by respondents or engaged in the consummation of any extension of consumer credit or in any aspect of the preparation, creation, or placing of advertising, and that respondents secure a signed statement from all such personnel acknowledging receipt of said order from each such person.

c. That respondents herein shall notify the Commission at least thirty (30) days prior to any proposed change in the corporate 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 corporation which may affect compliance obligations arising out of this order.

d. That the respondents herein shall, within sixty (60) days after service upon them 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.

IN THE MATTER OF

WELLCO CARPET CORP.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE FEDERAL TRADE COMMISSION AND THE FLAMMABLE FABRICS ACTS

Docket C-2278. Complaint, Sept. 8, 1972—Decision, Sept. 8, 1972.

Consent order requiring a Calhoun, Georgia, seller and manufacturer of carpets and rugs, among other things to cease manufacturing for sale, selling, importing, or distributing any product, fabric, or related material which fails to conform to an applicable standard of flammability or regulation issued or amended under the provisions of the Flammable Fabrics Act.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Flammable Fabrics Act, as amended, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Wellco Carpet Corp., a corporation, hereinafter

referred to as respondent, has violated the provisions of the said Acts and the rules and regulations promulgated under the Flammable Fabrics Act, as amended, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Wellco Carpet Corp., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Georgia.

Respondent is engaged in the manufacture and sale of carpets and rugs, with its principal place of business located at P.O. Box 281, Calhoun, Georgia.

PAR. 2. Respondent for some time last past was engaged in the manufacturing for sale, sale and offering for sale, in commerce, and has introduced, delivered for introduction, transported and caused to be transported in commerce, products; as the terms "commerce" and "product," are defined in the Flammable Fabrics Act, as amended, which products fail to conform to an applicable standard or regulation continued in effect, issued or amended under the provisions of the Flammable Fabrics Act, as amended.

Such products mentioned hereinabove were "Super Value" and "Windy Hill" carpeting subject to Department of Commerce Standard for the Surface Flammability of Carpets and Rugs (DOC FF 1–70).

PAR. 3. The aforesaid acts and practices of respondent were in violation of the Flammable Fabrics Act, as amended, and the rules and regulations promulgated thereunder, and as such constituted unfair methods of competition and unfair and deceptive acts and practices in commerce, within the intent and meaning of the Federal Trade Commission Act.

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 Division of Textiles and Furs 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 Flammable Fabrics Act, as amended; 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 Acts, and that 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 thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Wellco Carpet Corp., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Georgia.

Respondent is engaged in the manufacture and sale of carpets and rugs, with its office and principal place of business located at P.O. Box 281, Calhoun, Georgia.

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

It is ordered, That respondent Wellco Carpet Corp., a corporation, its successors and assigns, and its officers, and respondent's agents, representatives, and employees directly or through any corporation, subsidiary, division, or other device, do forthwith cease and desist from manufacturing for sale, selling, offering for sale, in commerce, or importing into the United States, or introducing, delivering for introduction, transporting or causing to be transported in commerce, or selling or delivering after sale or shipment in commerce, any product, fabric or related material; or manufacturing for sale, selling or offering for sale, any product made of fabric or related material which has been shipped or received in commerce, as "commerce," "product," "fabric" and "related material" are defined in the Flammable Fabrics Act, as amended, which product, fabric or related material fails to conform to an applicable standard or regulation continued in effect, issued or amended under the provisions of the aforesaid Act.

It is further ordered, That respondent, if it has not already done so, notify all of its customers who have purchased or to whom has been delivered the products which gave rise to this complaint, of the possible flammable nature of said products and effect the recall, if it has not already done so, of said products from such customers.

It is further ordered, That the respondent herein shall either process the products which gave rise to the complaint so as to bring them into conformance with the applicable standard of flammability under the Flammable Fabrics Act, as amended, or destroy said products.

It is further ordered, That respondent herein shall, within ten (10) days after service upon it of this order, file with the Commission a special report in writing setting forth the respondent's intentions as to compliance with this order. This special report shall also advise the Commission fully and specifically concerning (1) the identity of the products which gave rise to the complaint, (2) the identity of the purchasers of said products, (3) the amount of said products on hand and in the channels of commerce, (4) any action taken and any further actions proposed to be taken to notify customers of the flammability of said products and effect the recall of said products from customers, and of the results thereof, (5) any disposition of said products since September 10, 1971, and (6) any action taken or proposed to be taken to bring said products into conformance with the applicable standard of flammability under the Flammable Fabrics Act, as amended, or to destroy said products, and the results of such action. Respondent will submit with its report, a complete description of each style of carpet or rug currently in inventory or production. Upon request, respondent will forward to the Commission for testing a sample of any such carpet or rug.

It is further ordered, That respondent notify the Commission at least 30 days prior to any proposed change in the corporate 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 corporation which may affect compliance obligations arising out of the order.

It is further ordered, That the respondent corporation shall forthwith distribute a copy of this order to each of its operating divisions.

It is further ordered, That the respondent herein shall, within sixty (60) days after service upon it 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.

IN THE MATTER OF

SHUTZER INDUSTRIES, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE FEDERAL TRADE COMMISSION AND THE WOOL PRODUCTS LABELING ACTS

Docket C-2279, Complaint, Sept. 13, 1972—Decision, Sept. 13, 1972.

Consent order requiring a Lawrence, Massachusetts, manufacturer and distributor of men's and boys' garments, among other things to cease misbranding its merchandise by failing to adequately label said merchandise in accordance with the applicable provisions of the Wool Products Labeling Act.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Wool Products Labeling Act of 1939, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Shutzer Industries, Inc., a corporation, and Shutzer Manufacturing Co., Inc., a corporation, and Lawrence L. Shutzer, individually and as an officer of said corporations, hereinafter referred to as respondents, have violated the provisions of said Acts and the rules and regulations promulgated under the Wool Products Labeling Act of 1939, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Shutzer Industries, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 250 Canal Street, Lawrence, Massachusetts.

Respondent Shutzer Manufacturing Co., Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Massachusetts, with its office and principal place of business located at 250 Canal Street, Lawrence, Massachusetts.

Respondent Lawrence L. Shutzer is an officer of the corporate respondents. He formulates, directs and controls the acts, practices and policies of the corporate respondents. He has his office and principal place of business located at 250 Canal Street, Lawrence, Massachusetts.

Respondents are engaged in the manufacture and distribution of men's and boys' garments.

PAR. 2. Respondents, now and for some time last past, have manufactured for introduction into commerce, introduced into commerce, sold, transported, distributed, delivered for shipment, shipped, and

offered for sale, in commerce, as "commerce" is defined in the Wool Products Labeling Act of 1939, wool products as "wool product" is defined therein.

PAR. 3. Certain of said wool products were misbranded by respondents in that they were not stamped, tagged, labeled, or otherwise identified as required under the provisions of Section 4(a) (2) of the Wool Products Labeling Act of 1939 and in the manner and form as prescribed by the rules and regulations promulgated under said Act.

Among such misbranded wool products, but not limited thereto, were certain wool products, with labels on or affixed thereto, which failed to disclose the percentage of the total fiber weight of the wool products, exclusive of ornamentation not exceeding 5 per centum of said total fiber weight, of (1) wool; (2) reprocessed wool; (3) reused wool; (4) each fiber other than wool, when said percentage by weight of such fiber was five per centum or more; and (5) the aggregate of all other fibers.

PAR. 4. The acts and practices of the respondents as set forth above were, and are, in violation of the Wool Products Labeling Act of 1939 and the rules and regulations promulgated thereunder, and constituted, and now constitute, unfair methods of competition and unfair and deceptive acts or practices, in commerce, within the intent and meaning of the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Division of Textiles and Furs proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act, and the Wool Products Labeling Act of 1939; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the 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 the respondents have

violated the said Acts, and that 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 thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Shutzer Industries, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 250 Canal Street, Lawrence, Massachusetts.

Respondent Shutzer Manufacturing Co., Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Massachusetts with its office and principal place of business located at 250 Canal Street, Lawrence, Massachusetts.

Respondent Lawrence L. Shutzer is an officer of the corporate respondents. He formulates, directs, and controls the acts, practices and policies of the corporate respondents. He has his office and principal place of business located at 250 Canal Street, Lawrence, Massachusetts.

Respondents are engaged in the manufacture and distribution of men's and boys' garments.

2. 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

It is ordered, That respondents Shutzer Industries, Inc., a corporation, its successors and assigns, and its officers, and Shutzer Manufacturing Co., a corporation, its successors and assigns, and its officers, and Lawrence L. Shutzer, individually and as an officer of said corporations, and respondents' representatives, agents and employees, directly or through any corporation, subsidiary, division or other device, in connection with the introduction or manufacture for introduction, into commerce or the offering for sale, sale, transportation, distribution, delivery for shipment, or shipment, in commerce, of wool products, as "commerce" and "wool product" are defined in the Wool Products Labeling Act of 1939, do forthwith cease and desist from misbranding such products by failing to securely affix to, or place on, each such product a stamp, tag, label or other means of identification showing in a clear and conspicuous manner each element of information required to be disclosed by Section 4(a) (2) of the Wool Products Labeling Act of 1939.

It is further ordered, That respondents notify the Commission at least 30 days prior to any proposed changes in the corporate respondents such as dissolution, assignment or sale resulting in the emergence of successor corporations, the creation or dissolution of subsidiaries or any other change in the corporations which may affect compliance obligations arising out of the order.

It is further ordered, That the respondent corporations shall forthwith distribute a copy of this order to each of their operating divisions.

It is further ordered, That the individual respondent named herein promptly notify the Commission of the discontinuance of his present business or employment and of his affiliation with a new business or employment. Such notice shall include respondent's current business or employment in which he is engaged as well as a description of his duties and responsibilities.

It is further ordered, That the respondents herein shall, within sixty (60) days after service upon them 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 the order.

IN THE MATTER OF

LEON HECHT FUR CORP., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE FEDERAL TRADE COMMISSION AND THE FUR PRODUCTS LABELING ACTS

Docket C-2280. Complaint, Sept. 13, 1972—Decision, Sept. 13, 1972.

Consent order requiring a New York City retailer of fur products, among other things to cease misbranding and deceptively invoicing its fur products.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Fur Products Labeling Act and by virtue of the authority vested in it by said Acts, the Federal Trade Commission having reason to believe that Leon Hecht Fur Corp., a corporation, and Leon Hecht, individually and as an officer of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts and the rules and regulations promulgated under the Fur Products Labeling Act and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Leon Hecht Fur Corp. is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York.

Respondent Leon Hecht is an officer of the corporate respondent and formulates, directs and controls the acts, practices and policies of the said corporate respondent including those hereinafter set forth.

Respondents are retailers of fur products with their office and principal place of business located at 150 West 30th Street, New York, New York.

PAR. 2. Respondents have been and are now engaged in the introduction into commerce, and in the sale, advertising, and offering for sale in commerce, and in the transportation and distribution in commerce, of fur products; and have sold, advertised, offered for sale, transported and distributed fur products which have been made in whole or in part of furs which have been shipped and received in commerce, as the terms "commerce," "fur" and "fur product" are defined in the Fur Products Labeling Act.

PAR. 3. Certain of said fur products were misbranded in that they were not labeled as required under the provisions of Section 4(2) of the Fur Products Labeling Act and in the manner and form prescribed by the rules and regulations promulgated thereunder.

Among such misbranded fur products, but not limited thereto were fur products without labels.

PAR. 4. Certain of said fur products were falsely and deceptively invoiced by the respondents in that they were not invoiced as required by Section 5(b)(1) of the Fur Products Labeling Act and the rules and regulations promulgated under such Act.

Among such falsely and deceptively invoiced fur products but not limited thereto, were fur products covered by invoices which failed to show that the fur product contains or is composed of bleached, dyed or otherwise artificially colored fur when such is the fact.

PAR. 5. Certain of said fur products were falsely and deceptively invoiced in that certain of said fur products were invoiced to show that the fur contained therein was "natural" when in fact such fur was pointed, bleached, dyed tip-dyed, or otherwise artificially colored in violation of Section 5(b)(2) of the Fur Products Labeling Act.

PAR. 6. Certain of said fur products were falsely and deceptively invoiced in violation of the Fur Products Labeling Act in that they were not invoiced in accordance with the rules and regulations promulgated thereunder, in that the term "natural" was not used on invoices to describe fur products which were not pointed, bleached, dyed, tip-dyed, or otherwise artificially colored, in violation of Rule 19(g) of said rules and regulations.

PAR. 7. The aforesaid acts and practices of respondents, as herein alleged, are in violation of the Fur Products Labeling Act and the rules and regulations promulgated thereunder and constitute unfair and deceptive acts and practices in commerce under the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Division of Textiles and Furs proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act, and the Fur Products Labeling Act; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the 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 the respondents have violated the said Acts, and that 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 thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Leon Hecht Fur Corp. is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York.

Respondent Leon Hecht is an officer of the said corporation. He formulates, directs, and controls the acts, practices and policies of the said corporation.

Respondents are retailers of fur products with their office and principal place of business located at 150 West 30th Street, New York, New York.

2. 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

It is ordered, That respondent Leon Hecht Fur Corp., a corporation, its successors and assigns, and its officers, and respondent Leon Hecht, individually and as an officer of said corporation, and respondents' representatives, agents and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the introduction into commerce, or the sale, advertising or offering for sale in commerce, or the transportation or distribution in commerce, of any fur product; or in connection with the sale, advertising, offering for sale, transportation or distribution, of any fur product which is made in whole or in part of fur which has been shipped and received in commerce, as the terms "commerce," "fur" and "fur product" are defined in the Fur Products Labeling Act, do forthwith cease and desist from:

A. Misbranding fur products by:

Failing to affix labels to fur products showing in words and figures plainly legible all of the information required to be disclosed by Section 4(2) of the Fur Products Labeling Act.

B. Falsely and deceptively invoicing fur products by:

1. Failing to furnish invoices, as the term "invoice" is defined in the Fur Products Labeling Act, showing in words and figures plainly legible all the information required to be disclosed by each of the subsections of Section 5(b)(1) of the Fur Products Labeling Act.

2. Representing directly or by implication on an invoice that the fur contained in such fur products is "natural" when such fur is pointed, bleached, dyed, tip-dyed or otherwise artificially colored.

3. Failing to set forth the term "Natural" as part of the information required to be disclosed on invoices under the Fur Products Labeling Act and rules and regulations promulgated thereunder to describe fur products which are not pointed, bleached, dyed, tip-dyed or otherwise artificially colored.

It is further ordered, That respondents notify the Commission at least 30 days prior to any proposed change in the corporate 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 corporation which may affect compliance obligations arising out of this order.

It is further ordered, That the respondent corporation shall forthwith distribute a copy of this order to each of its operating divisions.

It is further ordered, That the individual respondent named herein promptly notify the Commission of the discontinuance of his present business or employment and of his affiliation with a new business or employment. Such notice shall include respondent's current business or employment in which he is engaged as well as a description of his duties and responsibilities.

It is further ordered, That the respondents herein shall, within sixty (60) days after service upon them 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.

IN THE MATTER OF

NEW YORK MERCHANDISE CO., INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE FEDERAL TRADE COMMISSION AND THE FLAMMABLE FABRICS ACTS

Docket C-2281, Complaint, Sept. 13, 1972—Decision, Sept. 13, 1972.

Consent order requiring a New York City importer and wholesaler of apparel, novelties and gift items, including scarves, among other things to cease importing, selling or transporting fabrics so highly flammable as to be dangerous when worn.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Flammable Fabrics Act, as amended, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that New York Merchandise Co., Inc., a corporation, and Max Fradkin, individually and as an officer of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts and the rules and regulations promulgated under the Flammable Fabrics Act, as amended, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint, stating its charges in that respect as follows:

PARAGRAPH 1. Respondent New York Merchandise Co., Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its office and principal place

of business located at 32–46 West 23rd Street, New York, New York. The respondent also has offices in California at 5505 East Olympic Boulevard, Los Angeles, California and in Dallas, Texas and Portland, Oregon.

Respondent Max Fradkin is an officer of the aforesaid corporation. He formulates, directs and controls the acts, practices and policies of said corporation. His address is the same as that of the corporate respondent.

Respondents are importers and wholesalers of apparel, novelties and gift items including scarves.

PAR. 2. Respondents are now and for some time last past have been engaged in the sale and offering for sale, in commerce, and in the importation into the United States, and have introduced, delivered for introduction, transported and caused to be transported in commerce and have sold or delivered after sale or shipment in commerce, products as the terms "commerce" and "product" are defined in the Flammable Fabrics Act, as amended, which products failed to conform to an applicable standard or regulation continued in effect, issued or amended under the provisions of the Flammable Fabrics Act, as amended.

Among such products mentioned hereinabove were scarves.

PAR. 3. The aforesaid acts and practices of respondents were and are in violation of the Flammable Fabrics Act, as amended, and the rules and regulations promulgated thereunder, and constituted and now constitute unfair methods of competition and unfair and deceptive acts and practices in commerce, within the intent and meaning of the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Division of Textiles and Furs proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act and the Flammable Fabrics Act, as amended; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the 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 com-

plaint, 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 respondents have violated the said Acts, and that 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 thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent New York Merchandise Co., Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its office and principal place of business located at 32–46 West 23rd Street, New York, New York. The respondent also has offices in California at 5055 East Olympic Boulevard, Los Angeles, California, and in Dallas, Texas and Portland, Oregon.

Respondent Max Fradkin is an officer of New York Merchandise Co., Inc., a corporation. He formulates, directs and controls the policies, acts and practices of said corporation. His address is the same as that of said corporation.

Respondents are importers and wholesalers of apparel, novelties and gift items including scarves.

2. 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

It is ordered, That respondents New York Merchandise Co., Inc., a corporation, and its officers, and Max Fradkin, individually and as an officer of said corporation, and respondents' representatives, agents and employees, directly or through any corporate or other device, do forthwith cease and desist from selling, offering for sale, in commerce, or importing into the United States, or introducing, delivering for introduction, transporting or causing to be transported in commerce, or selling or delivering after sale or shipment in commerce any product, fabric or related material; or selling or offering for sale any product made of fabric or related material which has been shipped or received in commerce, as "commerce," "product," "fabric" and "related material" are defined in the Flammable Fabric Act, as amended, which product, fabric or related material fails to conform to an applicable standard or regulation continued in effect, issued or amended under the provisions of the aforesaid Act.

It is further ordered, That respondents notify all of their customers who have purchased or to whom have been delivered the products which gave rise to this complaint of the flammable nature of such products, and effect recall of such products from said customers.

It is further ordered, That the respondents herein either process the products which gave rise to the complaint so as to bring them within the applicable flammability standards of the Flammable Fabrics Act, as amended, or destroy said products.

It is further ordered, That the respondents herein shall, within ten (10) days after service upon them of this order, file with the Commission a special report in writing setting forth the respondents' intentions as to compliance with this order. This special report shall also advise the Commission fully and specifically concerning (1) the identity of the products which gave rise to the complaint, (2) the number of said products in inventory, (3) any action taken and any further actions proposed to be taken to notify customers of the flammability of said products and effect the recall of said products from customers, and of the results thereof, (4) any disposition of said products since August 12, 1969 and (5) any action taken or proposed to be taken to bring said products into conformance with the applicable standard of flammability under the Flammable Fabrics Act, as amended, or destroy said products, and the results of such action. Such report shall further inform the Commission as to whether or not respondents have in inventory any product, fabric, or related material having a plain surface and made of paper, silk, rayon and acetate, nylon and acetate, rayon, cotton or any other material or combinations thereof in a weight of two ounces or less per square yard, or any product, fabric or related material having a raised fiber surface. Respondents shall submit samples of not less than one square yard in size of any such product, fabric, or related material with this report.

It is further ordered, That the respondents notify the Commission at least 30 days prior to any proposed change in the corporate 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 corporation which may affect compliance obligations arising out of the order.

It is further ordered, That the respondent corporation shall forthwith distribute a copy of this order to each of its operating divisions.

It is further ordered, That the respondents herein shall, within sixty (60) days after service upon them 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.

IN THE MATTER OF

B. ALTMAN & CO.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE FEDERAL TRADE COMMISSION AND THE FLAMMABLE FABRICS ACTS

Docket C-2282. Complaint, Sept. 13, 1972—Decision, Sept. 13, 1972.

Consent order requiring a New York City importer and distributor of textile fiber products, among other things to cease manufacturing for sale, selling, importing, or distributing any product, fabric, or related material which fails to conform to an applicable standard of flammability or regulation issued under the provisions of the Flammable Fabrics Act.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commisison Act and the Flammable Fabrics Act, as amended, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission having reason to believe that B. Altman & Co., a corporation, hereinafter referred to as respondent, has violated the provisions of said Acts and the rules and regulations promulgated under the Flammable Fabrics Act, as amended, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. B. Altman & Co. is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York.

Respondent is engaged in the business of the importation, sale and distribution of textile fiber products including, but not limited to, wearing apparel in the form of ladies' scarves with its office and principal place of business located at 34th Street and 5th Avenue, New York, New York.

PAR. 2. Respondent is now and for some time last past has been engaged in the sale or offering for sale, in commerce, and the importation into the United States, and has introduced, delivered for introduction, transported and caused to be transported in commerce, and has sold or delivered after sale or shipment in commerce, products, as "commerce" and "product" are defined in the Flammable Fabrics Act, as amended, which products failed to conform to an applicable standard or regulation continued in effect, issued or amended under the provisions of the Flammable Fabrics Act, as amended.

PAR. 3. The aforesaid acts and practices of respondent were and are in violation of the Flammable Fabrics Act, as amended, and the rules

and regulations promulgated thereunder, and constituted, and now consitute, unfair methods of competition and unfair and deceptive acts and practices in commerce within the intent and meaning of the Federal Trade Commission Act.

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 Division of Textiles and Furs proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge the respondent with violation of the Federal Trade Commission Act and the Flammable Fabrics Act, as amended; 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 the 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 Acts, and that 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 thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent B. Altman & Co. is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York.

The respondent is engaged in the business of the importation, sale and distribution of textile fiber products including, but not limited to, wearing apparel in the form of ladies' scarves, with its office and principal place of business located at 34th Street and 5th Avenue, New York, New York.

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.

494-841—73——23

ORDER

It is ordered, That respondent B. Altman & Co., a corporation, its successors and assigns, and its officers, and respondent's agents, representatives and employees, directly or through any corporation, subsidiary, division, or other device, do forthwith cease and desist from selling, offering for sale, in commerce, or importing into the United States, or introducing, delivering for introduction, transporting or causing to be transported in commerce, or selling or delivering after sale or shipment in commerce, any ladies' scarves; or any article of wearing apparel, or fabric intended for use or which may reasonably be expected to be used in an article of wearing apparel, imported by or manufactured under the control or direction of B. Altman & Co., as the terms "commerce," and "article of wearing apparel" are defined in the Flammable Fabrics Act, as amended; or any other article of wearing apparel, or fabric which is intended for use or which may reasonably be expected to be used in an article of wearing apparel, the manufacturer or domestic importer of which has not furnished a guaranty under Section 8(a) of the Flammable Fabrics Act, as amended; and which ladies' scarves, articles of wearing apparel and fabric fail to conform to an applicable standard or regulation, issued, amended, or continued in effect under the provisions of the aforesaid Act: *Provided, however*, Nothing herein shall accord to the respondent immunity from any subsequent proceedings under Section 3, 6(a) or 6(b) of the Flammable Fabrics Act, as amended. Further, nothing herein shall limit the authority of the Commission to extend the terms of the order to products, fabrics or related materials presently excluded from this order in any subsequent proceeding against the respondent.

It is further ordered, That if not already accomplished the respondent notify all of its customers who can be identified as having purchased or to whom if identified, have been delivered the products which gave rise to this complaint of the flammable nature of said products and effect the recall of said products from such customers wherever possible.

It is further ordered, That if not already accomplished the respondent herein either process the products which gave rise to the complaint so as to bring them into conformance with the applicable standard of flammability under the Flammable Fabrics Act, as amended, or destroy said products.

It is further ordered, That the respondent herein shall, within ten (10) days after service upon it of this order, file with the Commission a special report in writing setting forth the respondent's intentions as

to compliance with this order. This special report shall also advise the Commission fully and specifically concerning (1) the identity of the products which gave rise to the complaint, (2) the number of said products in inventory, (3) any action taken and any further actions proposed to be taken to notify customers of the flammability of said products and effect the recall of said products from customers, and of the results thereof, (4) any disposition of said products since May 1970, and (5) any action taken or proposed to be taken to bring said products into conformance with the applicable standard of flammability under the Flammable Fabrics Act, as amended, or destroy said products, and the results of such action. Such report shall further inform the Commission as to whether or not respondent has in inventory any article of wearing apparel, or fabric which is intended for use or which may reasonably be expected to be used in an article of wearing apparel, which article of wearing apparel or fabric comes within the provisions of the first paragraph of this order, having a plain surface and made of silk, rayon and acetate, nylon and acetate, rayon, cotton or any other material or combinations thereof in a weight of two ounces or less per square yard, or any article of wearing apparel, or fabric which is intended for use or which may reasonably be expected to be used in an article of wearing apparel, having a raised fiber surface. Upon request of the Commission, the respondent shall submit samples of any such article of wearing apparel, or not less than one square yard in size of any such fabric which is intended for use or which may reasonably be expected to be used in an article of wearing apparel.

It is further ordered, That respondent notify the Commission at least 30 days prior to any proposed change in the corporate 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 corporation which may affect compliance obligations arising out of this order.

It is further ordered, That the respondent corporation shall forthwith distribute a copy of this order to each of its operating divisions.

It is further ordered, That the respondent herein shall, within sixty (60) days after service upon it 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.

IN THE MATTER OF

OHRBACH'S, INC.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE FEDERAL TRADE COMMISSION AND THE FLAMMABLE FABRICS ACTS

Docket C-2283. Complaint, Sept. 13, 1972—Decision, Sept. 13, 1972.

Consent order requiring a New York City retail department store, among other things to cease manufacturing for sale, selling, importing, or distributing any product, fabric, or related material which fails to conform to an applicable standard of flammability or regulation issued under the provisions of the Flammable Fabrics Act.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Flammable Fabrics Act, as amended, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Ohrbach's, Inc., a corporation, hereinafter referred to as respondent, has violated the provisions of said Acts and the rules and regulations promulgated under the Flammable Fabrics Act, as amended, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Ohrbach's, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware.

Respondent is engaged in business as a retail department store, with its office and principal place of business located at 5 West 34th Street, New York, New York.

PAR. 2. Respondent is now and for some time last past has been engaged in the sale, and offering for sale, in commerce, and in the importation into the United States, and has introduced, delivered for introduction, transported and caused to be transported in commerce, and has sold or delivered after sale or shipment in commerce, products as the terms "commerce" and "product" are defined in the Flammable Fabrics Act, as amended, which products failed to conform to an applicable standard or regulation continued in effect, issued or amended under the provisions of the Flammable Fabrics Act, as amended.

Among such products were scarves.

PAR. 3. The aforesaid acts and practices of respondent were and are

in violation of the Flammable Fabrics Act, as amended, and the rules and regulations promulgated thereunder and constituted, and now constitute unfair methods of competition and unfair and deceptive acts and practices in commerce within the intent and meaning of the Federal Trade Commission Act.

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 Division of Textiles and Furs 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 Flammable Fabrics Act, as amended; 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 Acts, and that 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 thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Ohrbach's, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware with its office and principal place of business located at 5 West 34th Street, New York, New York.

Respondent is engaged in business as a retail department store.

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

It is ordered, That respondent Ohrbach's, Inc., a corporation, its successors and assigns and its officers, agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, do forthwith cease and desist from selling, offering for sale, in commerce, or importing into the United States, or introducing, delivering for introduction, transporting or causing to be transported in commerce, or selling or delivering after sale or shipment in commerce, any ladies' scarves; or any article of wearing apparel, or fabric intended for use or which may be reasonably expected to be used in an article of wearing apparel, imported by or manufactured under the control or direction of Ohrbach's, Inc., as the terms "commerce" and "article of wearing apparel" are defined in the Flammable Fabrics Act, as amended; or any other article of wearing apparel, or fabric intended for use or which may be reasonably expected to be used in an article of wearing apparel, the manufacturer of which has not furnished a guaranty under Section 8(a) of the Flammable Fabrics Act, as amended; and which ladies' scarves, articles of wearing apparel or fabric fail to conform to an applicable standard or regulation, issued, amended, or continued in effect under the provisions of the aforesaid Act; provided, however, nothing herein shall accord to the respondent immunity from any subsequent proceedings under Sections 3, 6(a) or 6(b) of the Flammable Fabrics Act, as amended. Further, nothing herein shall limit the authority of the Commission to extend the terms of the order to products, fabrics or related materials presently excluded from this order in any subsequent proceeding against the respondent.

It is further ordered, That the respondent notify all of its customers who have purchased or to whom have been delivered the products which gave rise to the complaint, of the flammable nature of said products and effect the recall of said products from such customers.

It is further ordered, That the respondent herein either process the products that gave rise to the complaint so as to bring them into conformance with the applicable standard of flammability under the Flammable Fabrics Act, as amended, or destroy said products.

It is further ordered, That the respondent herein shall within ten (10) days after service upon it of this order, file with the Commission a special report in writing setting forth the respondent's intentions as to compliance with this order. This special report shall also advise the Commission fully and specifically concerning (1) the identity of the products which gave rise to the complaint, (2) the number of said products in inventory, (3) any action taken and any further actions proposed to be taken to notify customers of the flammability of said products and effect the recall of said products from customers, and of the results thereof, (4) any disposition of said products since October 26, 1970, and (5) any action taken or proposed to be taken to bring said products into conformance with the applicable standard of flammability under the Flammable Fabrics Act, as amended, or destroy said products, and the results of such action. Such report shall further inform the Commission as to whether or not respondent has in inventory any article of wearing apparel, or fabric which is intended for use or which may reasonably be expected to be used in an article of wearing apparel, which article of wearing apparel or fabric comes within the provisions of the first paragraph of this order, having a plain surface and made of silk, rayon and acetate, nylon and acetate, rayon, cotton or any other material or combinations thereof in a weight of two ounces or less per square yard, or any article of wearing apparel, or fabric which is intended for use or which may reasonably be expected to be used in an article of wearing apparel, having a raised fiber surface. Upon request of the Commission the respondent shall submit samples of any such article of wearing apparel, or one square yard in size of any fabric which is intended for use or which may reasonably be expected to be used in an article of wearing apparel, as described above.

It is further ordered, That respondent notify the Commission at least 30 days prior to any proposed change in the corporate 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 corporation which may affect compliance obligations arising out of the order.

It is further ordered, That the respondent corporation shall forthwith distribute a copy of this order to each of its operating divisions.

It is further ordered, That the respondent herein shall, within sixty (60) days after service upon it 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.

IN THE MATTER OF

CUMBERLAND PACKING CORPORATION, ET AL.

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

Docket C-2284. Complaint, Sept. 13, 1972—Decision, Sept. 13, 1972

Consent order requiring a Brooklyn, New York, manufacturer and seller of a sugar product and its New York City advertising agency, among other things to cease representing that their product is organically grown; representing that their product has not been processed; and misrepresenting the nutritional value of their product.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Cumberland Packing Corporation, a corporation, and Benjamin Eisenstadt, Marvin E. Eisenstadt, Betty Eisenstadt, and Ira Eisenstadt, individually and as officers of said corporation, and Stiefel/Raymond Advertising, Inc., a corporation, hereinafter referred to as respondents, have violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Cumberland Packing Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business located at 2 Cumberland Street, Brooklyn, New York. Respondents Benjamin Eisenstadt, Marvin E. Eisenstadt, Betty Eisenstadt and Ira Eisenstadt are individuals and are officers of Cumberland Packing Corporation. They formulate, direct and control the acts and practices of Cumberland Packing Corporation, including the acts and practices hereinafter set forth. Their address is the same as that of Cumberland Packing Corporation.

PAR. 2. Respondent Stiefel/Raymond Advertising, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its office and principal place of business located at 370 Lexington Avenue, New York, New York.

PAR. 3. Respondents Cumberland Packing Corporation, and Benjamin Eisenstadt, Marvin E. Eisenstadt, Betty Eisenstadt, and Ira Eisenstadt are now, and for some time last past have been, engaged in the manufacture, sale and distribution of a sugar product designated

"Sugar in the Raw" which comes within the classification of a "food," as said term is defined in the Federal Trade Commission Act.

PAR. 4. Respondents Stiefel/Raymond Advertising, Inc., is now, and for some time last past has been, the advertising agency of Cumberland Packing Corporation and now and for some time last past, has prepared and placed for publication and has caused the dissemination of advertising material, including but not limited to the advertising referred to herein, to promote the sale of Cumberland Packing Corporation's "Sugar in the Raw," which comes within the classification of "food," as said term is defined in the Federal Trade Commission Act.

PAR. 5. Respondents Cumberland Packing Corporation and Benjamin Eisenstadt, Marvin E. Eisenstadt, Betty Eisenstadt, and Ira Eisenstadt cause the said product, when sold, to be transported from its place of business in one state of the United States to purchasers located in various other states of the United States and in the District of Columbia, and maintain and at all times mentioned herein have maintained a course of trade in said product in commerce as "commerce" is defined in the Federal Trade Commission Act. The volume of business in such commerce has been and is substantial.

PAR. 6. In the course and conduct of their said businesses, respondents have disseminated, and caused the dissemination of certain advertisements concerning the said "Sugar in the Raw" by the United States mails and by various means in commerce, as "commerce" is defined in the Federal Trade Commission Act, including but not limited to, advertisements inserted in magazines and newspapers, and by means of television and radio broadcasts transmitted by television and radio stations located in various States of the United States, and in the District of Columbia, having sufficient power to carry such broadcasts across state lines, for the purpose of inducing and which were likely to induce, directly or indirectly, the purchase of said product; and have disseminated, and caused the dissemination of, advertisements concerning said product by various means, including but not limited to the aforesaid media, for the purpose of inducing and which were likely to induce, directly or indirectly, the purchase of said product in commerce as "commerce" is defined in the Federal Trade Commission Act.

PAR. 7. Typical of the statements and representations in said advertisements, disseminated as aforesaid, but not all inclusive thereof, are the following:

(a) A number of radio commercials, representative of which is the following:

My sugar is not refined—it's natural, earthy, organic SUGAR IN THE RAW. Sugar in the Raw has the honest, sweet flavor of the sugar cane from sunny

Caribbean Islands. It contains all of its natural vitamins and minerals because it hasn't been bleached, processed, and stripped of its natural, nutritional goodness. It's naturally blonde. Nothing is added—no chemicals. No preservatives. Sugar in the Raw is naturally sweet—naturally delicious. Get back to nature. Next time you shop, pick up a box of one hundred individual servings of Sugar in the Raw. It's exciting in beverages! Wild on fruits and cereals! And sensational for cooking and baking. It's got no refinement, but Sugar in the Raw contains all of its natural vitamins and minerals. It's naturally more nutritious—more delicious than any other sugar you can buy. Sugar in the Raw is now featured at * * *

(b) The audio of one such television commercial:

It's organic. It's unrefined. Bursting with flavor. Naturally delicious Sugar in the Raw.

(c) One such print advertisement has the following copy:

My sugar is not refined! It's *Organic*, Natural, Earthy Sugar in the Raw! Get back to nature. Enjoy the honest flavor of Sugar in the Raw. It's naturally delicious, contains all of its natural vitamins and minerals. It hasn't been bleached, processed and stripped of nutritional goodness. Nothing is added—No chemicals. No preservatives. Are you bold enough to try it?

(d) Another such print advertisement has the following copy:

It's got no refinement! Sugar in the Raw. Organic! Unrefined! Natural! The honest to goodness sugar that contains natural vitamins and minerals.

(e) The print advertisement appearing on the back panel of the Sugar in the Raw package:

SUGAR IN THE RAW

EXCITING IN BEVERAGES

WILD ON FRUITS AND CEREALS

FOR COOKING AND BAKING

Sugar in the Raw is naturally blonde and has the honest, sweet flavor of the sugar and grows on sunny Caribbean Islands. It contains its natural vitamins and minerals because it hasn't been bleached, processed and stripped of its natural nutritional goodness, like ordinary sugar. Sugar in the Raw is not refined! It's earthy and natural. It contains the same amount of sweetness as ordinary sugar and may be used in the same way. The only difference is that it produces a more delicious flavor and adds its own natural nutritional value in foods and beverages.

CUMBERLAND PACKING CORP.

2 Cumberland St., Brooklyn, N.Y. 11255

PAR. 8. Through the use of said advertisements and others similar thereto not specifically set out herein, disseminated as aforesaid, respondents have represented and are now representing, directly and by implication, that:

(a) "Sugar in the Raw" is an organically grown food.

(b) "Sugar in the Raw" is not a processed food.

(c) "Sugar in the Raw" is a significant source of vitamins and minerals.

(d) "Sugar in the Raw" is a significantly greater source of vitamins and minerals than refined sugar.

(e) "Sugar in the Raw" is substantially different from or is superior to other sugars because it does not utilize or contain any chemicals or preservatives.

PAR. 9. In truth and in fact:

(a) "Sugar in the Raw" is not an organically grown food.

(b) "Sugar in the Raw" is a processed food.

(c) "Sugar in the Raw" is not a significant source of vitamins and minerals.

(d) "Sugar in the Raw" is not a significantly greater source of vitamins and minerals than refined sugar. Neither "Sugar in the Raw" nor refined sugar contain a nutritionally significant amount of vitamins or minerals.

(e) "Sugar in the Raw" is not substantially different from or superior to other sugars because of the absence of chemicals and preservatives.

Therefore, the advertisements referred to in Paragraph Seven were and are misleading in material respects and constituted, and now constitute, "false advertisements" as that term is defined in the Federal Trade Commission Act, and the statements and representations set forth in Paragraph Seven and Eight were, and are, false, misleading and deceptive.

PAR. 10. Certain of the aforesaid advertisements and others similar thereto not specifically set out herein have falsely represented, and are now falsely representing, directly and by implication, that "Sugar in the Raw" has unique properties not found in other types of sugars. Said advertisements tend to exploit the aspirations of consumers to select the foods best suited to their needs.

Therefore, the aforesaid acts and practices were, and are, false, misleading, deceptive and unfair.

PAR. 11. In the course and conduct of its aforesaid business, and at all times mentioned herein, respondents Cumberland Packing Corporation and Benjamin Eisentadt, Marvin E. Eisenstadt, Betty Eisenstadt and Ira Eisenstadt have been, and now are in substantial competition, in commerce, with corporations, firms and individuals in the sale of food products of the same general kind and nature as that sold by respondents.

PAR. 12. In the course and conduct of its aforesaid business, and at all times mentioned herein, respondents Stiefel/Raymond Advertising, Inc., has been, and now is, in substantial competition in commerce with other advertising agencies.

PAR. 13. The use by respondents of the aforesaid false, misleading, deceptive and unfair statements, representations and practices and the dissemination of the aforesaid "false advertisements" has had, and now has, the capacity and tendency to mislead members of the consuming public into the erroneous and mistaken belief that said statements and representations were and are true and into the purchase of substantial quantities of respondent Cumberland Packing Corporation's "Sugar in the Raw" by reason of said erroneous and mistaken belief.

PAR. 14. The aforesaid acts and practices of respondents including the dissemination of "false advertisements," as herein alleged, were and are all to the prejudice and injury of the public and of respondents' competitors and constituted, and now constitute, unfair and deceptive acts and practices in commerce and unfair methods of competition in commerce in violation of Sections 5 and 12 of the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which 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 violation of the Federal Trade Commission Act; and

The respondents 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 they had reason to believe that the respondents have violated the said Act, and that complaint should issue stating their charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public

record for a period of thirty (30) days, and having duly considered the comments filed thereafter pursuant to Section 2.34(b) of its rules now in further conformity with the procedure prescribed in Section 2.34(b) of their rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Cumberland Packing Corporation, is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business located at 2 Cumberland Street, in the city of Brooklyn, in the State of New York. Respondents Benjamin Eisenstadt, Marvin E. Eisenstadt, Betty Eisenstadt and Ira Eisenstadt are individuals and are officers of the aforementioned corporate respondent. They formulate, direct and control the acts and practices of the aforementioned corporate respondent, including the acts and practices hereinafter set forth. Their address is the same as that of the aforementioned corporate respondent.

Respondent Stiefel/Raymond Advertising, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business located at 370 Lexington Avenue, in the city of New York, in the State of New York.

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

ORDER

I

It is ordered, That respondent Cumberland Packing Corporation, a corporation, and its officers, and Benjamin Eisenstadt, Marvin E. Eisenstadt, Betty Eisenstadt and Ira Eisenstadt, individually and as officers of said corporation, and Stiefel/Raymond Advertising, Inc., a corporation, and its officers, and respondents' successors, assigns, agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the advertising, offering for sale, sale or distribution of any sugar sold for consumer use forthwith cease and desist from:

1. Disseminating, or causing the dissemination of, an advertisement by means of the United States mails or by any means in commerce, as "commerce" is defined in the Federal Trade Commission Act, which represents, directly or by implication, that:

(a) Any such product has been grown without the use of chemical fertilizers or pesticides; or specifically that any

such product is "organic," in that it has been organically grown.

(b) Any such product has not been processed.

(c) Any such product supplies any amount of a vitamin or mineral unless the amount is above five (5) percent of the Recommended Daily Dietary Allowance or ten (10) percent of the Minimum Daily Requirement and is clearly and conspicuously stated in terms of percentage of whichever standard is used.

(d) Any such product is in any way more nutritious than any other product which is substantially identical in composition.

(e) Any such product differs from or is superior to any other such product because no chemicals or preservatives have been added.

2. Disseminating, or causing the dissemination of, any advertisement by means of the United States mails or by any means in commerce, as "commerce" is defined in the Federal Trade Commission Act, which misrepresents, in any manner, the nutritional value of any such product.

3. Disseminating, or causing the dissemination of, any advertisement by any means, for the purpose of inducing, or which is likely to induce, directly or indirectly, the purchase of any such product, in commerce, as "commerce" is defined in the Federal Trade Commission Act which contains any of the representations prohibited in subparagraph 1, above, or the misrepresentation prohibited in subparagraph 2, above.

II

It is further ordered, That respondent Cumberland Packing Corporation, a corporation, and its officers, and Benjamin Eisenstadt, Marvin E. Eisenstadt, Betty Eisenstadt and Ira Eisenstadt, individually and as officers of said corporation, and their successors, assigns, agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the advertising, labeling, offering for sale, sale or distribution of any sugar sold for consumer use in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from making, directly or by implication, any statement or representation that:

1. Any such product has been grown without the use of chemical fertilizers or pesticides; or specifically that any such product is "organic," in that it has been organically grown.

2. Any such product has not been processed.

3. Any such product supplies any amount of a vitamin or mineral unless the amount is above five (5) percent of the Recommended Daily Dietary Allowance or ten (10) percent of the Minimum Daily Requirement and is clearly and conspicuously stated in terms of percentage of whichever standard is used.

4. Any such product is in any way more nutritious than any other product which is substantially identical in composition.

5. Any such product differs from or is superior to any other such product because no chemicals or preservatives have been added.

It is further ordered, That respondents shall forthwith distribute a copy of this order to each of their operating divisions.

It is further ordered, That respondents notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondents 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 corporations which may affect compliance obligations arising out of the order.

It is further ordered, That respondents shall, within sixty (60) days after service of the order upon it, file with the Commission a report in writing setting forth in detail the manner and form of its compliance with the order to cease and desist.

IN THE MATTER OF

FAIRFAX FAMILY FUND, INC., ET AL.

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

Docket C-2285. Complaint, Sept. 13, 1972—Decision, Sept. 13, 1972.

Consent order requiring a Chicago, Illinois, and Louisville, Kentucky, mail-order loan organization to cease, among other things, using any facsimile of a negotiable check or cash voucher as a loan application; failing to label all loan applications as "loan application:" representing that only the customer's signature is required to consummate loans: misrepresenting the benefits to be derived from procurement of a loan through respondents; and failing to disclose to customers information required by Regulation Z of the Truth in Lending Act.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and the Truth in Lending Act and the implementing regulation pro-

mulgated thereunder, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Spiegel, Inc., a corporation, and its wholly–owned subsidiary, Fairfax Family Fund, Inc., a corporation, hereinafter referred to as respondents, have violated the provisions of said Acts and implementing regulation, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Spiegel, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at 2511 W. 23rd Street, Chicago, Illinois. It wholly owns, formulates and controls the policies, acts and practices of respondent Fairfax Family Fund, Inc., including the acts and practices hereinafter set forth.

Respondent Fairfax Family Fund, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Kentucky, with its principal office and place of business located at 2323 S. Brook Street, Louisville, Kentucky. Respondent Fairfax Family Fund, Inc. is a wholly–owned subsidiary of respondent Spiegel, Inc.

PAR. 2. Respondents are now, and for some time last past have been engaged in the business of advertising, soliciting and making loans through the mail to the public in the several States of the United States.

COUNT I

Alleging violation of the Federal Trade Commission Act, the allegations of Paragraphs One and Two above are incorporated by reference as if fully set forth herein verbatim.

PAR. 3. In the course and conduct of their business respondents now cause, and for some time last past have caused, their loan applications and advertising to be mailed from respondent Fairfax Family Fund, Inc.'s place of business in the State of Kentucky to consumers located in various other States of the United States, and maintain, and at all times mentioned herein have maintained, a substantial course of trade in said loans in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. For the purpose of inducing consumers to enter into said loans, respondents have made various statements in certain of their circulars respecting the nature of the loan application and the credit status of the consumer. Typical of such statements, but not all inclusive thereof, are the following:

A. [ON FACSIMILE OF A NEGOTIABLE CHECK]

Ready Cash Voucher
TO NEGOTIATE THIS VOUCHER Sign on the other side * * *
Application—subject to approval by Fairfax Family Fund—is hereby granted for an immediate cash loan
FOR IMMEDIATE PROCESSING—OK [followed by what appears to be the handwritten initials] J. V. F.

B. [ON ADVERTISING "LETTER"]

RETURN THE ENCLOSED $600 CASH VOUCHER TODAY
$600 Ready Cash Voucher enclosed
Return the enclosed Cash Voucher today to get $600 by mail * * *
Mail the Ready Cash Voucher now.

C. [ON MULTI-PAGE, COLOR BROCHURE]

Use the enclosed Cash Voucher
Sign the enclosed Ready Cash Voucher
Just sign and mail the enclosed Ready Cash Voucher.

PAR. 5. Through the use of said statements and representations, and others of similar import and meaning but not specifically set out herein, respondents have represented, and are now representing, directly or by implication, that the facsimile check is, in fact, a check ready for negotiation or a cash voucher; that only the consumer's signature is needed to render the facsimile check negotiable; and that the credit status of the consumer has been approved and the loan has already been authorized.

PAR. 6. In truth and in fact, the facsimile is not a check ready for negotiation or a cash voucher, and the consumer's signature is not the final step for approval by respondent Fairfax Family Fund, Inc., of the loan. The facsimile is merely an application for a loan in the amount indicated on the voucher. The voucher is not "negotiated" in the manner of a negotiable instrument, but is merely mailed back to respondent Fairfax Family Fund, Inc., for processing. While the consumer's signature does bind the consumer, respondent Fairfax Family Fund, Inc., has not yet approved the application and, therefore, the facsimile check is not a check ready for negotiation.

Further, the credit status of the consumer has not been approved, nor has the loan been authorized. Respondent Fairfax Family Fund, Inc., conducts a credit investigation of the consumer only after the facsimile check has been returned to it by the consumer, and there has been no approval of authorization for the loan prior to evaluation of the report on the credit investigation.

Therefore, the statements and representations set forth in Paragraphs Four and Five hereof were and are false, misleading and deceptive.

PAR. 7. For the purpose of inducing consumers to enter into said loans, respondents have made various statements in certain of their circulars respecting the desirability of consummating their offered loan for the purpose of debt consolidation. Typical of such statements, but not all inclusive thereof, are the following:

A. [ON THE ADVERTISING "LETTER"]

You will find that by putting your bills together and paying them off with cash from Fairfax you can cut the amount you pay out each month by as much as 50% * * * and have cash left over.

B. [ON THE MULTI-PAGE, COLOR BROCHURE]

Cut Your Monthly Payments ⅓ to ½ and Get *EXTRA CASH* Besides * * *

Besides paying off all his debts he received $60 in extra cash. And he reduced his total monthly payments from $65 to $31.57. A reduction of over 50%.

[The following debt consolidation comparison appears]

Here's a typical problem that many families face

Accounts	Amounts owed	Monthly payments
Clothing	$30.00	$10.00
Appliance	120.00	10.00
Hospital	200.00	15.00
Doctor	50.00	5.00
Dentist	50.00	10.00
Car repair	30.00	10.00
Home repair	50.00	5.00
Total	540.00	65.00

Here's how a loan from us solved the problem

Amount of loan	$600.00
Amount needed to pay bills	540.00
Extra cash for you	60.00
Monthly payment for a loan of $600	31.57

Here's how payments of $65.00 were cut to $31.57
Figure your bills here. See how a cash loan helps you

Bills	Amount owed	Monthly payments
Clothing		
Appliance		
Hospital		
Doctor		
Dentist		
Car repair		
Home repair		
Total		

PAR. 8. Through the use of the aforesaid statements and representations and others of similar import and meaning not specifically set forth herein, respondents have represented, and are now representing, that the consumer will benefit substantially from consolidating his debts into a single loan obligation to respondents, because:

(a) The consumer will reduce the amount of his present monthly payments substantially, even by as much as 50 percent, by entering into the loan agreement offered by respondents;

(b) The obligation of the loan of $600 is comparable in cost to the obligation of the debts of $540 in the consumer's hypothetical; and

(c) The consumer would have an extra $60 in cash left over from the proceeds of respondents' loan were he to use the loan proceeds to extinguish his hypothetical debts of $540.

PAR. 9. In truth and in fact, the consumer will not benefit substantially from the consolidation of his debts into a single loan obligation to respondents, because:

(a) The consumer will not reduce the amount of his present monthly payments substantially for a significant portion of the period which would be scheduled to repay his debt to respondents. Within five months the consumer would reduce the amount of payments required by his hypothetical present debt obligations to $35 by extinguishing three of the seven debts hypothesized, so that he would for the remaining nine months make monthly payments of no more than $35, compared with payments of $31.57 to respondents, a difference of only $3.43 per month. Additionally, the hypothetical comparison fails to disclose that if the consumer pays the existing debts of $540 as scheduled, the entire indebtedness will be extinguished in fourteen months while, if he consolidates those debts into one loan obligation to respondents, he will be obligated to make monthly payments of $31.57 for twenty-seven months, an additional obligation to the consumer of $312.39. Therefore, the obligations compared in respondents' advertisements are not based on the same premises and are misleading.

(b) The $600 loan offered by respondents is not comparable in credit costs to the consumer's hypothetical present debts of $540. The hypothetical $540 in debts includes the amounts of finance charges owed to the hypothetical creditors, while the $600 loan offered by respondents excludes all finance charges which the consumer would owe to respondents; if finance charges on the $600 loan were included in the comparison, the amount owed to respondents would be $852.39 compared with the hypothetically owed debts of $540. By using $600 rather than $852.39 for purposes of comparison, respondents understate by $252.39 the amount of the obligation which the consumer would owe

them. Therefore, the obligations compared in respondents' advertisements are not based on the same premises and are misleading.

(c) The consumer would not have an extra $60 in cash left over from the proceeds of respondents' loan after using the loan proceeds to extinguish his hypothetical debts of $540. Respondents require borrowers to obtain credit life insurance, the costs of which are deducted from the $600 loan proceeds, so that the consumer would only have left in cash $60 less the cost of credit life insurance.

Therefore, the statements and representations set forth in Paragraphs Seven and Eight were and are false, misleading and deceptive.

PAR. 10. For the purpose of inducing consumers to enter into said loans, respondents have made various statements in certain of its circulars respecting the requirement of obtaining credit life insurance and the consumer's choice of insurers. Typical of such statements, but not all inclusive thereof, are the following:

A. [ON ADVERTISING LETTER]

You will also receive a Life insurance certificate; you and your family will immediately be protected for the full amount you owe by the Old Republic Life Insurance Company or any company of your choice.

B. [ON MULTI-PAGE, COLOR BROCHURE]

YOUR LIFE WILL BE INSURED—You and your family will be protected by the Old Republic Life Insurance Company or any other company of your choice.

PAR. 11. Through the use of said statements and representations, and others of similar import and meaning but not specifically set out herein, respondents have represented, and are now representing, directly or by implication, that the consumer may select the credit life insurer of his own choice.

PAR. 12. In truth and in fact, the consumer cannot select the insurer or make respondent Fairfax Family Fund, Inc., the beneficiary of an already existing life insurance policy to the extent of the consumer's indebtedness, because there is no place on the loan application for the consumer to indicate that he wishes to use his own credit life insurer, or that he wishes to change the beneficiary on an already existing life insurance policy. Upon acceptance of the application, respondents automatically have the credit life insurance policy written for the consumer by Old Republic Life Insurance Company and they automatically deduct the cost of such insurance from the amount of the loan before forwarding the negotiable check for the proceeds of the loan. The Old Republic Life Insurance Company writes all the credit life insurance policies for consumers who consummate loans with respondents.

Therefore, the statements and representations set forth in Para-

graphs Ten and Eleven hereof were and are false, misleading and deceptive.

PAR. 13. The aforesaid acts and practices of respondents as herein alleged were, and are, all to the prejudice and injury of the public and constituted, and now constitute, unfair and deceptive acts and practices in commerce, in violation of Section 5 of the Federal Trade Commission Act.

COUNT II

Alleging violation of the Truth in Lending Act and the implementing regulation promulgated thereunder, and of the Federal Trade Commission Act, the allegations of Paragraphs One and Two are incorporated by reference as if fully set forth herein verbatim.

PAR. 14. In the ordinary course and conduct of their business as aforesaid, respondents regularly extend consumer credit, as "consumer credit" is defined in Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 15. Subsequent to July 1, 1969, in the ordinary course and conduct of their business as aforesaid respondents have furnished, and are furnishing, credit cost disclosure statements, hereinafter referred to as "the statement." Respondents do not provide their customers with any other disclosures regarding the cost of credit in attempted compliance with the Truth in Lending Act. By and through the use of the statement, respondents:

(a) Failed to disclose the "amount financed," using that term, as required by Section 226.8(d)(1) of Regulation Z;

(b) Failed to disclose the annual percentage rate clearly, conspicuously, and in meaningful sequence, as required by Section 226.6(a) of Regulation Z;

(c) Failed to disclose the "total of payments," using that term, as required by Section 226.8(b)(3) of Regulation Z.

PAR. 16. Subsequent to July 1, 1969, respondents have caused and are causing to be mailed to prospective borrowers a "Ready Cash Voucher" which promotes, aids, or assists directly or indirectly extensions of consumer credit. This constitutes an advertisement as "advertisement" is defined in Regulation Z. By and through use of these advertisements, respondents state the amount and the number of the monthly payments without also setting forth, in terminology prescribed in Section 226.8 (b) of Regulation Z, the following items, as required by Section 226.10 (d)(2) of Regulation Z:

(a) The amount of the finance charge expressed as an annual percentage rate;

(b) The sum of the payments.

PAR. 17. Subsequent to July 1, 1969, respondents have published multi-page advertisements, as "advertisement" is defined in Regulation Z, which are mailed to consumers. Such advertisements aid, promote, or assist, directly or indirectly, extensions of consumer credit.

By and through the multi-page advertisements, respondents, when setting forth the number and amount of periodic payments, fail also to clearly and conspicuously set forth all credit terms required by Section 226.10(d) of Regulation Z, in terminology prescribed under Section 226.8(b) of Regulation Z. Respondents have not obviated the requirement that they disclose these credit terms by employing the alternative method of clearly and conspicuously referring to a table or schedule of credit terms by page number wherever the specified periodic payment appears in the multi-page advertisements, as set forth in Section 226.10(b) of Regulation Z.

PAR. 18. Pursuant to Section 103(q) of the Truth in Lending Act, respondents' aforesaid failures to comply with the provisions of Regulation Z constitute violations of that Act and, pursuant to Section 108 thereof, respondents thereby violated the Federal Trade Commission Act.

DECISION AND ORDER

The Commission having heretofore determined to issue its complaint charging the respondents named in the caption hereto with violation of the Federal Trade Commission Act and the Truth in Lending Act, and the respondents having been served with notice of said determination and with a copy of the complaint the Commission intended to issue, together with a proposed form of order; and

The respondents 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 complaint to issue herein, 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 considered the agreement and having provisionally accepted same, and the agreement containing consent order having thereupon been placed on the public record for a period of thirty (30) days, and having duly considered the comments filed thereafter pursuant to Section 2.34(b) of its rules, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint in the form contemplated by

said agreement, makes the following jurisdictional findings, and enters the following order:

1. Respondent Fairfax Family Fund, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Kentucky, with its office and principal place of business located at 2323 S. Brook Street, in the city of Louisville, State of Kentucky.

Respondent Spiegel, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 2511 W. 23rd Street, in the city of Chicago, State of Illinois.

2. Respondents agree that they are jointly and severally obligated under each order provision. However, it is understood that any affirmative disclosure or representation required by the order may be made in the name of respondent Fairfax Family Fund, Inc., without requiring identification of respondent Spiegel, Inc.

3. 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

It is ordered, That respondents, Spiegel, Inc., and Fairfax Family Fund, Inc., corporations, their successors and assigns, and their officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, solicitation or consummation of loans in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Use of a form of loan application which is a facsimile of a check and which represents, directly or by implication, that it is a negotiable check or a cash voucher or other similar negotiable instrument.

2. Failure to clearly, conspicuously and prominently label all loan applications as "loan application."

3. Failure to affirmatively disclose in writing on each loan application form that the loan will be subject to credit approval by respondents, unless such is not true; and making a representation, directly or by implication, that only the consumer's signature is needed to consummate the loan, unless such is true.

4. Failure to inform the applicant for a loan that the loan will not be authorized prior to credit approval, unless such is true.

5. Making a representation, directly or by implication, in any comparison or example, that the consumer can reduce his present

monthly payments substantially by taking advantage of respondents' loan offer or that his loan cost without inclusion of the finance charge is comparable to his present indebtedness which includes finance charges, unless such comparison or example is, in fact, true.

6. Failure to inform the consumer of the actual cash amount he will receive after the deduction for the cost of credit life insurance if the credit life insurance is procured through respondents.

7. Misrepresenting in any manner the benefits to be derived, through debt consolidation or otherwise, from the procurement of a loan from respondents.

8. Making a representation to the consumer that he has a choice of credit life insurers, unless the consumer, in fact, has such a choice.

9. Failure to provide a clear and conspicuous place for the consumer to indicate his desire to use the insurer of his own choice when that option is provided by respondents.

It is further ordered, That respondents Spiegel, Inc. and Fairfax Family Fund, Inc., corporations, their successors and assigns, and their officers, agents, representatives and employees, directly or through any corporate or other device, in connection with any extension of consumer credit or in connection with any advertisement to aid, promote, or assist directly or indirectly any extension of consumer credit, as "consumer credit" and "advertisement" are defined in Regulation Z (12 C.F.R. § 226) of the Truth in Lending Act (Pub. L. 90–321, 15 U.S.C. 1601 *et seq.*) do forthwith cease and desist from:

1. Failure to disclose the "amount financed," using that term, as required by Section 226.8(d)(1) of Regulation Z.

2. Failure to disclose the annual percentage rate clearly, conspicuously, and in meaningful sequence, as required by Section 226.6(a) of Regulation Z.

3. Failure to disclose the "total of payments," using that term, as required by Section 226.8(b)(3) of Regulation Z.

4. Stating in any advertisement the amount of any installment payment or the number of installments or the period of repayment, unless all of the following items are stated in the manner and form prescribed by Section 226.10(d)(2) of Regulation Z:

(i) the amount of the loan;

(ii) the number, amount and due dates or period of payments scheduled to repay the indebtedness if the credit is extended;

(iii) the amount of the finance charge expressed as an annual percentage rate; and

(iv) the sum of the payments.

5. Failure to set forth in multi-page advertising, when setting forth one or more of the following credit terms other than in a schedule of credit terms contained in the multi-page advertisement, all of the credit terms as required by Section 226.10(d) of Regulation Z; or in the alternative, referring to such schedule by stating in immediate conjunction with the specific credit term, in print of at least equal prominence to such term, "for full disclosure of credit terms, see page ——," wherever any of the following appears:

(i) the amount of the loan;

(ii) the number, amount and due dates or period of payments scheduled to repay the indebtedness if the credit is extended;

(iii) the amount of the finance charge expressed as an annual percentage rate; and

(iv) the sum of the payments.

However, the disclosure of (i) or (iii) above, either separately or together, does not require any of the disclosures set forth in Section 226.10(d)(2) of Regulation Z.

6. Failure in any consumer credit transaction or advertisement, to make all disclosures, determined in accordance with Sections 226.4 and 226.5 of Regulation Z, in the manner, form and amount required by Sections 226.6, 226.7, 226.8, 226.9 and 226.10 of Regulation Z.

It is further ordered, That respondents shall deliver a copy of this order to all of their personnel engaged in the consummation of any extension of consumer credit or engaged in any aspect of the preparation, creation or placing of advertising, and that respondents secure a signed statement acknowledging receipt of said order from each such person.

It is further ordered, That respondents notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondents 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 corporations which may affect compliance obligations arising out of this order.

It is further ordered, That the respondents herein shall within sixty (60) days after service upon them 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.

IN THE MATTER OF

STEVEN LEWIS, DOING BUSINESS AS THE STEVEN LEWIS COMPANY, ET AL.

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

Docket C-2286. Complaint, Sept. 19, 1972—Decision, Sept. 19, 1972.

Consent order requiring two former Hollywood, California, franchisors of distributorships for cologne and other products and their successor firm, among other things to cease representing the past earnings of distributors or franchisees unless past earnings represent a substantial number of distributors or franchisees; misrepresenting the amount of time and effort respondents will spend to obtain accounts for their distributors or franchisees; misrepresenting the prior experience or necessary training required by distributors or franchisees; misrepresenting the prior experience or necessary training required by distributors or franchisees in order to operate successfully; and misrepresenting the nature, character, performance or efficacy of any product. Respondents are further required to furnish all prospective franchisees with a written statement giving, among other things, rights and obligations of all parties, complete financial details of the agreement, and a list of previous purchasers. Also, franchisees must be allowed five days in which to cancel the contract for any reason with a refund of all monies by respondent.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Steven Lewis, an individual formerly trading and doing business as the Steven Lewis Company, a sole proprietorship; Twenty First Century Industries, Inc., a corporation; and Steven Lewis, individually and as an officer of said corporation, herein referred to as respondents, have violated the provisions of said Act, and it appearing to the Commision that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint, stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Steven Lewis is an individual formerly trading and doing business as The Steven Lewis Company with its principal office and place of business formerly located at 6565 Sunset Boulevard, Hollywood, California.

Respondent Twenty First Century Industries, Inc., is a corporation organized, existing and formerly doing business under and by virtue of the laws of the State of California, with its principal office and

place of business formerly located at 6565 Sunset Boulevard, Hollywood, California. Respondent Twenty First Century Industries, Inc., was the successor in interest to the business of the Steven Lewis Company having purchased all of the assets of said company on or about March 31, 1969.

Respondent Steven Lewis is president and majority stockholder of the corporate respondent. He formulated, directed and controlled the acts and practices of the corporate respondent including the acts and practices hereinafter set forth. His present address is 205 Third Avenue, New York, New York.

PAR. 2. Prior to the corporate respondents' purchase of the assets of the Steven Lewis Company, the respondent Steven Lewis, trading and doing business as the Steven Lewis Company had been engaged in the advertising, offering for sale, sale and distribution of men's cologne and greeting cards and in the advertising, offering for sale, and sale of distributorships or franchises for said products to members of the public.

Respondent Twenty First Century Industries, Inc., was, and for some time in the past had been, engaged in the offering for sale, sale and distribution of men's cologne, Ronson products and Life Breathers and in the advertising, offering for sale, and sale of distributorships or franchises for said products to members of the public.

PAR. 3. In the course and conduct of their business respondents caused, and for some time last past have caused, their said products, when sold, to be shipped from their place of business in the State of California and their suppliers' places of business in the State of California, and other states, to purchasers thereof located in various other States of the United States. In addition, in the course and conduct of their business, respondents have disseminated and caused to be disseminated in newspapers of interstate circulation, advertisements designed to be read by persons residing outside the State of California and intended to induce such persons to enter into contractual agreements with respondents to purchase distributorships or franchises and products from respondents. Respondents also introduced into interstate circulation, through the instrumentality of the United States mails, promotional material, circulars, business papers and contracts with the resultant effect that members of the public residing outside the State of California did in fact purchase respondents' distributorships or franchises and products utilizing the instrumentality of the United States mails to consummate said contractual agreements and purchases, thereby placing respondents in business in commerce within the intent and meaning of Section 5 of the Federal Trade Commis-

sion Act. Respondents have maintained, and at all times mentioned herein maintained, a substantial course of trade in products, distributorships or franchises, in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their business as aforesaid and for the purpose of inducing the purchase of their distributorships or franchises and products, respondents have made numerous statements and representations in promotional material and in newspaper advertisements.

Typical and illustrative of the newspaper advertisements used by respondents, but not all inclusive thereof, is the following:

Distributor wanted. Income potential $15,000 possible. Part or full time. Join a manufacturer of nationally advertised name brand men's products, which are to be sold through established retail stores in your area. You will be trained and guided to take care of all reorders, deliveries, and collect high cash profits. An investment of $2,940 can put you into this booming money making industry.

No experience required, can be handled from home, spare time, and built into a full time lucrative business of your own with a $15,000–$20,000 potential without sacrificing present income.

Immediate Cash Income! Spare time—No selling. We seek reliable persons of good standing to own a business of their own and spend 6–8 hours a week collecting cash and refilling merchandise from company established accounts in their own area.

The appointed person will receive intensive field training and aid from a company executive.

Join a nationally advertised manufacturer of name brand toiletries. This is one of the nations leading growth industries, and you will service and collect high cash profits from leading stores in your community turned over to you by the company.

Restore the breath of life with the Life Breather. Every year, thousands of men, women and children die due to asphyxiation. Drowning, heart attack, electrical shock, smoke and poison gas inhalation are the major causes. These fatalities might have been prevented by use of General Medical Devices' dramatic new resuscitator, the Life Breather.

The Life Breather quickly clears the victim's air passages and gets him breathing free and easy.

PAR. 5. By and through the use of the aforesaid statements and representations, and others of similar import and meaning not expressly set out herein, respondents have represented directly or by implication:

A. That persons who purchase a distributorship or franchise from respondents can earn $15,000 to $20,000 a year in their spare time or full time.

B. That said earnings projections are the earnings made by a significant number of persons who have purchased and operated respondents' distributorships or franchises.

C. That respondents will secure profitable customers for purchasers of respondents' distributorships or franchises.

D. That prior business experience is neither required nor necessary to operate and maintain the distributorship or franchise successfully.

E. That purchasers of respondents' distributorships or franchises will not be required to sell products or engage in sales activities with potential customers in order to operate and maintain the distributorship or franchise successfully.

F. That purchasers of respondents' distributorships or franchises will be trained in the operation of their distributorship or franchise by respondents.

G. That respondents' Life Breather product is an effective device for the prevention of death or injury from asphyxiation due to drowning, heart attack, electrical shock, poisonous gas inhalation or other causes.

PAR. 6. In truth and in fact:

A. Relatively few, if any, persons who purchased a distributorship or franchise from respondents earned $15,000 to $20,000 a year in their spare time or full time.

B. Respondents' claimed earnings projections are far in excess of the earnings of any person or persons who purchased and operated respondents' distributorships or franchises.

C. In the vast majority of instances, respondents did not secure profitable customers for purchasers of respondents' distributorships or franchises.

D. Prior business experience is necessary in order for purchasers of respondents' distributorships or franchises to operate and maintain the distributorship or franchise successfully.

E. Purchasers of respondents' distributorships or franchises are required to sell products and engage in sales activities with potential customers in order to operate and maintain the distributorship or franchise successfully.

F. Respondents did not provide purchasers of their distributorships or franchises with the training necessary for the operation of their distributorship or franchise.

G. Respondents' Life Breather product is not an effective device for the prevention of death or injury from asphyxiation due to drowning, heart attack, electrical shock, poisonous gas inhalation and other causes.

Said statements and representations were therefore, false, misleading and deceptive.

PAR. 7. In the further course and conduct of their business as aforesaid and for the purpose of inducing the purchase of their dis-

tributorships or franchises and products, respondents, their agents, representatives or employees, or any of them, have made oral statements and representations.

Among and typical of the statements and representations made by respondents, their agents, representatives or employees, or any of them, but not all inclusive thereof are the following:

A. That respondents will initially provide a specific number of customers or accounts for each distributor or franchisee and will obtain initial orders for merchandise from said customers or accounts on an open account basis with payment to be remitted directly to the distributor or franchisee.

B. That merchandise and/or sales aids purchased from respondents by respondents' distributors or franchisees will be delivered to said distributors or franchisees on or before a particular date or within a specified time period.

C. That respondents will provide its distributors or franchisees with sales and promotional literature relating to the products said distributors or franchisees purchase from respondents.

D. That respondents will provide instruction manuals and/or guarantee forms with certain products purchased from respondents by respondents' distributors or franchisees.

E. That respondents will provide national and local advertising of the products purchased by their distributors or franchisees.

PAR. 8. In truth and in fact:

A. In a substantial number of instances, respondents did not secure the agreed upon number of customers or accounts for a distributor or franchisee and in a substantial number of instances the customers or accounts respondents did obtain, did not order or receive initial deliveries of merchandise on an open account basis with payment to be remitted directly to the distributor or franchisee but instead accepted the merchandise conditionally on a consignment basis.

B. In a substantial number of instances, respondents did not deliver, to distributors or franchisees, the merchandise and/or sales aids purchased from respondents by said distributors or franchisees on or before the date specified or within the time period specified.

C. In a substantial number of instances, respondents failed to provide distributors or franchisees with the sales and promotional literature relating to the products purchased from respondents by respondents' distributors or franchisees.

D. In a substantial number of instances, respondents failed to provide distributors or franchisees with instruction manuals and/or guarantee forms for certain products purchased from respondents by respondents' distributors or franchisees.

E. Very few, if any, local or national advertisements, or advertisements of any kind, were published or disseminated by respondents for products purchased from respondents by respondents' distributors or franchisees.

Said statements and representations were, therefore, false, misleading and deceptive.

PAR. 9. In the further course and conduct of their business and in furtherance of their purpose of inducing the purchase of, and payment for distributorships, franchises and products, respondents falsely and deceptively failed to disclose to prospective purchasers of respondents' distributorships, franchises and products prior to the consummation of any contract between respondents and any such prospective distributor or franchisee certain material facts which would assist such prospects in evaluating the probabilities of their success as distributors or franchisees and which would lessen the potential for deception, including: a detailed explanation of the rights and obligations of the parties under the distributor or franchise agreement; the financial details pertaining to the distributor or franchise agreement including the amount to be paid by the distributor or franchisee for the distributorship or franchise, the amount to be paid for any services to be rendered by respondents and the amount to be paid for any merchandise offered for sale or sold thereunder; as well as significant information relating to the success or failure and business experience of prior purchasers of respondents' distributorships or franchises.

PAR. 10. The use by respondents of the aforesaid unfair and false and misleading and deceptive statements, representations and practices, and their failure to disclose material facts, as aforesaid, has had the capacity and tendency to mislead members of the public into the erroneous and mistaken belief that said statements and representations were true and complete, and into the purchase of respondents' distributorships or franchises and products by reason of said erroneous and mistaken belief and unfairly into the assumption of obligations and the payment of monies which they might otherwise not have incurred.

PAR. 11. In the course and conduct of their aforesaid business, and at all times mentioned herein, respondents have been in substantial competition, in commerce, with corporations, firms and individuals engaged in the sale of distributorships or franchises and products of the same general kind and nature as those sold by respondents.

PAR. 12. The aforesaid acts and practices of respondents, as herein alleged, were all to the prejudice and injury of the public and of respondents' competitors and constituted unfair methods of competition

in commerce and unfair and deceptive acts and practices in commerce, in violation of Section 5 of the Federal Trade Commission Act.

Decision and Order

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

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the 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 the respondents have violated the said Act, and that 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 thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Steven Lewis is an individual formerly trading and doing business as the Steven Lewis Company with its office and principal place of business formerly located at 6565 Sunset Boulevard, Hollywood, California.

Respondent Twenty First Century Industries, Inc., is a corporation organized, existing and formerly doing business under and by virtue of the laws of the State of California, with its office and principal place of business formerly located at 6565 Sunset Boulevard, Hollywood, California.

Respondent Steven Lewis is an officer of the corporate respondent. He formulated, directed and controlled the policies, acts and practices of said corporation. His address is 205 Third Avenue, New York, New York.

2. 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

It is ordered, That respondents, Steven Lewis, an individual formerly trading and doing business as the Stevens Lewis Company, and Twenty First Century Industries, Inc., a corporation and its officers, and Steven Lewis, individually and as an officer of said corporation, their successors and assigns, and respondents' officers, agents, representatives and employees, directly or through any corporate or other device or through any distributor or franchisee, in connection with the advertising, offering for sale, sale or distribution of men's cologne, Ronson products, Life Breathers, greeting cards or any other products or of distributorships or franchises in commerce as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Directly or by implication:

A. Representing that distributors or franchisees will earn or can reasonably expect to earn or receive any stated or gross or net amount of earnings or profits; or representing, in any manner, the past earnings of distributors or franchisees unless in fact the past earnings represented are those of a substantial number of distributors or franchisees and accurately reflect the average earnings of said distributors or franchisees under circumstances similar to those of the person to whom the representation is made.

B. Representing that respondents, their agents, representatives or employees will secure profitable customers or accounts for purchasers of respondents' distributorships or franchises or misrepresenting, in any manner, the amount of time and effort respondents will spend in attempting to obtain such customers or accounts for their distributors or franchisees.

C. Representing that purchasers of respondents' distributorships or franchises will not be required to sell products or engage in sales activities with potential customers in order to operate and maintain the distributorship or franchise successfully or misrepresenting, in any manner, the amount and type of work required of distributors or franchisees in order to operate and maintain the distributorship or franchise successfully.

D. Representing that prior business experience is not required of purchasers of respondents' distributorships or franchises in order to operate and maintain the distributorship or franchise successfully or misrepresenting, in any manner, the prior experience required of distributors or franchisees in order to operate and maintain the distributorship or franchise successfully.

E. Representing that purchasers of respondents' distributorships or franchises will be trained in the operation of their distributorship or franchise or misrepresenting, in any manner, the quality, amount or nature of respondents' contribution to the training of their distributors or franchisees.

F. Representing that respondents' Life Breather product is an effective device for the prevention of death or injury from asphyxiation or otherwise misrepresenting, in any manner, the nature, character, performance or efficacy of any product.

2. Representing that respondents will secure cash sale or open account sale customers or accounts, for each distributor or franchisee, or will obtain orders for merchandise for each distributor or franchisee from customers or accounts with payment to be remitted directly to the distributor or franchisee or misrepresenting, in any manner, the number or type of customers or accounts respondents will secure or the selling services or assistance that respondents will provide their distributors or franchisees.

3. Representing that any product or products or sales aids, offered for sale or sold by respondents to their distributors or franchisees, will be delivered to said distributors or franchisees on or before a particular date, or within a specified time period, unless respondents have available, or in stock, all such products or sales aids in quantities sufficient to meet all reasonably anticipated orders.

4. Representing that respondents will provide their distributors or franchisees with sales literature, promotional literature, instruction manuals, guarantee forms or any other material relating to products offered for sale or sold by respondents to their distributors or franchisees unless respondents have on hand or in stock all such literature, manuals, forms or such other material in quantities sufficient to meet the reasonable requirements of the distributors or franchisees to whom such representations are made or misrepresenting, in any manner, the amount and type of additional materials respondents will provide their distributors or franchisees along with the products offered for sale or sold by respondents to their distributors or franchisees.

5. Representing that respondents will provide national and local advertising of the products offered for sale or sold by respondents to their distributors or franchisees or misrepresenting, in any manner, the extent, type and method of promotion and services provided by respondents in connection with the advertising of products offered for sale or sold by respondents to their distributors or franchisees or misrepresenting, in any manner, the media in which said advertising has appeared or will appear.

6. Failing to furnish any prospective distributor of franchisee, in a separate written statement in a clear and concise manner, prior to the consummation of any contract between respondents and any such prospective distributor or franchisee:

A. A detailed statement setting forth all the rights and obligations of the parties under the distributor or franchise agreement.

B. Complete financial details pertaining to the distributor or franchise agreement including the amount to be paid by the distributor or franchisee for the distributorship or franchise, the amount to be paid for any services to be rendered by respondents and the amount to be paid for any merchandise offered for sale or sold thereunder.

C. A list of the names and addresses of all persons who, in the two calendar years immediately preceding, purchased a distributorship or franchise, for products or product lines similar to, or the same as, those being offered by respondents to any prospective distributor or franchisee, and the gross dollar volume of purchases of such products from respondents, by each such distributor or franchisee, in each of said calendar years, exclusive of the dollar amount of merchandise purchased and paid for at the time of the purchase of the distributorship or franchise.

7. Failing to disclose, in each contract for the sale of a distributorship or franchise, to those prospective distributors or franchisees whose accounts will be obtained on a consignment basis, that said accounts will not be cash sale or open account sale customers or accounts, but will be consignment accounts and that merchandise so placed or delivered may be returned to the distributor or franchisee.

It is further ordered, That respondents:

1. Inform all prospective purchasers of distributorships, franchises or merchandise, orally and provide in writing in all contracts that, (1) the contract may be cancelled for any reason by

mailing a notice of cancellation to respondents' business address prior to midnight of the fifth day following the date upon which the purchaser signed the distributor or franchise agreement.

2. Promptly refund all monies to distributors, franchisees or customers who have requested contract cancellation in accordance with the provisions of Paragraph One above.

It is further ordered, That respondents maintain files containing all inquiries or complaints from any source relating to acts or practices prohibited by this order, for a period of two years after their receipt, and that such files be made available for examination by a duly authorized agent of the Federal Trade Commission during the regular hours of the respondents' business for inspection and copying.

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

It is further ordered, That respondents deliver a copy of this order to cease and desist to all present and future employees, agents and representatives engaged in the offering for sale or sale of respondents' distributorships, franchises or products or in any aspect of preparation, creation or placing of advertising and that respondents secure a signed statement acknowledging receipt of said order from each such person.

It is further ordered, That the individual respondent named herein promptly notify the Commission of the discontinuance of his present business or employment and of his affiliation with a new business or employment. Such notice shall include respondent's current business address and a statement as to the nature of the business or employment in which he is engaged as well as a description of his duties and responsibilities.

It is further ordered, That the corporate respondent distribute a copy of this order to each of its operating divisions or departments.

It is further ordered, That the respondents herein shall, within sixty (60) days after service upon them 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.