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## Decision and Order

- (a) The total number of prizes to be awarded;
  - (b) The exact nature of the prizes and the number of each;
  - (c) The odds of winning each prize.
2. Failing to award and distribute all prizes of the value and type represented.
  3. Failing to disclose, clearly and conspicuously, in all advertising and promotional material the exact number of prizes which will be available, the exact nature of the prizes, and the odds of winning each such prize.

*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 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.

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 IN THE MATTER OF

## KUSTOM ENTERPRISES, INC., ET AL.

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

*Docket 8846. Complaint, June 17, 1971—Decision, Jan. 24, 1972*

Order requiring two Wheat Ridge, Colo., corporations selling and distributing residential carpeting and carpet padding to cease using telephone calls or free gifts to gain access to the homes of prospective purchasers, misrepresenting that they are the exclusive franchisee of carpet manufacturers or that a prospect's home has been specially selected for a test installation, making deceptive guarantees, failing to disclose that the selling price of carpet is by the square yard, failing to give Notice that any sales contract may be rescinded within three days, and negotiating any note to a finance company prior to midnight of the fifth day. Respondents are also required to make all disclosures required by Regulation Z of the Truth in Lending Act and comply with the misbranding and advertising provisions of the Textile Fiber Products Identification Act.

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## COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, the Truth in Lending Act, and the implementing regulation promulgated thereunder and the Textile Fiber Products Identification Act, and the rules and regulations promulgated thereunder, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission having reason to believe that Kustom Enterprises, Inc., a corporation, and Joseph A. Padilla, Thomas M. Roth and Sherri Roth, individually and as officers of said corporation; and Marketing Enterprises, Inc., a corporation, and Eugene DeWitt and Julian Chavez, individually and as officers of said corporation, and F. E. Lester, individually, hereinafter referred to as respondents, have violated the provisions of said Acts, and it appearing to the Commission that a proceeding by it in respect thereto would be in the public interest hereby issues its complaint, stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Kustom Enterprises, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Utah, with its principal office and place of business located at 6827 West 38th Avenue, Wheat Ridge, Colorado, and with mailing address at P.O. Box F, Wheat Ridge, Colorado.

Respondents Joseph A. Padilla, Thomas M. Roth and Sherri Roth are individuals and officers of the corporate respondent Kustom Enterprises, Inc. They formulate, direct, and control the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. Respondent F. E. Lester, individually, in conjunction with respondents Joseph A. Padilla and Thomas M. Roth, formulates, directs, and controls the acts and practices of Carpet Banke, the trade name under which the corporate respondent Kustom Enterprises, Inc., has conducted business. Their addresses are the same as that of the corporate respondent.

Respondents are now trading, and for some time last past have traded, as: Kustom Karpets, Intermountain Wholesale Company, Allied Carpets, Allied, Ltd., National Carpets, Carpet Banke.

PAR. 2. Respondent Marketing Enterprises, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Colorado, with its principal place of business at 6827 West 38th Avenue, Wheat Ridge, Colorado.

Respondents Eugene DeWitt and Julian Chavez are individuals and officers of the corporate respondent Marketing Enterprises, Inc.

They, together with Joseph A. Padilla and Thomas M. Roth, formulate, direct and control the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. Their addresses are the same as that of the corporate respondent.

Respondents are now trading, and for some time last past have traded, as: Interstate Carpets, United Carpets.

PAR. 3. Respondents are now, and for some time last past have been, engaged in the advertising, offering for sale, sale and distribution of residential carpeting and carpet padding to the public. Respondents also install said carpeting and carpet padding.

#### COUNT I

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

PAR. 4. In the course and conduct of their business as aforesaid, respondents now cause, and for some time last past have caused, their said products to be shipped from their several places of business in the States of Utah, Colorado, Nebraska, and Missouri to purchasers thereof located in various other States of the United States, and also transmit to and receive from their various places of business advertising and promotional materials, contracts, and other business papers and documents; 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. 5. In the course and conduct of their aforesaid business and for the purpose of inducing sales of their products, respondents have made, and are now making, numerous statements and representations through oral statements made to prospective purchasers by their salesmen or representatives, through telephone solicitation calls, salesmen's sales book presentations, advertising and other promotional material with respect to the nature of their offer, their prices, time limitations, guarantees, the origin of their products, and the quality of performance of their products.

Typical and illustrative of respondents' printed advertising representations, but not all inclusive thereof, are the following:

You can have complete confidence in ALLIED CARPETS every installation is inspected—registered—and guaranteed in writing for ten (10) years for your complete protection and satisfaction.

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## CODE OF ETHICS

To maintain high standards of quality workmanship.

Use only Top Grade materials of standard quality and manufacture that carry with them the manufacturer's backing 100%.

Promptly correct any defective work.

To charge fair and just prices commensurate with the work executed on all contracts.

To conduct business in a manner as to reflect credit and confidence by the public for our industry.

To exercise a high degree of care in the execution of all work so as to do no ordinary preventable injury to properties or persons.

ALLIED LTD.

*Atlanta, Georgia, March 14, 1968.*

ALLIED CARPETS,  
724 South 3d East,  
Salt Lake City, Utah.

GENTLEMEN: We are pleased to announce that Allied Limited (the worlds only Commercial Camulon\* Carpet Manufacturer) is happy to welcome your fine company as an exclusive agent for the distribution of the revolutionary new Commercial Camulon\* Carpet.

In accordance with your instructions, the Commercial Camulon\* Carpet was made to your distinctive pattern design and your construction specifications for exclusive use in the Rocky Mountain Area in accordance with your Franchise Agreement.

According to your Franchise Agreement, you must have five (5) working *Sales Center Offices* in the Rocky Mountain Area in the next twelve (12) months. Knowing your dynamic sales ability, we are sure you will accomplish this in half the allotted time.

You can be assured that Allied Carpets has the exclusive right to sell and distribute the Commercial Camulon\* Carpet in the five (5) State Rocky Mountain Area.

Wishing your company the best of luck on this new venture, I am,

Very Truly Yours,

THOMAS ROTH, *President.*

\*Camulon is the trade name of Allied Ltd. for its polyester fiber.

COMMERCIAL CARPET TAKES THE FLOOR  
ALLIED LTD.

BRINGS

THE LUXURIOUS TEXTURED BROADLOOM

"COMMERCIAL CARPET" TO HOMEOWNERS

CONTINUOUS FILAMENT PILE YARNS OUTDATES

ALL OTHER MAN-MADE YARNS

TEN GOOD REASONS WHY ALLIED LTD. COMMERCIAL CARPET IS  
YOUR BEST BUY

1. "Commercial" Camulon\* Carpet Won't Fade.
2. "Commercial" Camulon\* Carpet Is Non-Absorbent Resists 47 Stains.

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3. "Commercial" Camulon\* Carpet Won't Peel or Fuzz-Stays Lovely.
4. "Commercial" Camulon\* Carpet Is Thickly Tufted-Truly Elegant.
5. "Commercial" Camulon\* Carpet Is Non-Allergenic: Won't Attract Dust.
6. "Commercial" Camulon\* Carpet Is Abrasive Resistant-Woven to Wear.
7. "Commercial" Camulon\* Carpet Keeps Down Pesky Static Build-Up.
8. "Commercial" Camulon\* Carpet Is Positively Moth-Proofed Forever.
9. "Commercial" Camulon\* Carpet Marvelously Grand: Won't Snag Heels.
10. "Commercial" Camulon\* Carpet Comes in Many Beautiful Colors.

## WHAT ABOUT "COMMERCIAL" CAMULON\* CARPET

It took millions of dollars worth of research, plus years of testing to make this fiber as perfect as it is. Lightest fiber known giving you more bulk for your money. Also sta-press slacks.

## WHAT ABOUT WEARABILITY

It could hardly be better. This broadloom was tested in the driveway of a service station, day after day cars and trucks rode on it, when it was cleaned it looked fresh and new \* \* \* with hardly a sign of wear.

## WHAT ABOUT CLEANABILITY

Cleans like a dream \* \* \* almost as easy as washing your hands, detergent and water wipe away any stain (even pet accidents) since it's as static free as possible. It repels instead of attracting dirt.

## IS IT GOOD?—YOU BET!

\*Camulon is the trade name of Allied Ltd. for its polyester fiber.

PAR. 6. By and through the use of the aforesaid statements and representations, and others of similar import and meaning, but not expressly set out herein, separately and 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 are conducting a telephone survey when they initially contact prospective purchasers.
2. Respondents' salesmen and representatives will call on prospective purchasers in their homes for the purpose of delivering a free gift.
3. Respondents are the exclusive franchisee and the exclusive sales outlet for a manufacturer of carpet and carpet padding.
4. Respondents' carpeting and carpet padding were developed by a special manufacturing process exclusively for respondents by their franchising manufacturer.
5. Respondents' carpeting and carpet padding were developed and manufactured exclusively for commercial use and originally were

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sold only to commercial establishments such as hotels, motels, casinos, restaurants and theaters.

6. Respondents are newly established in the business of selling and installing carpeting and carpet padding in homes and are offering their products for the first time to homeowners.

7. Homes of prospective purchasers are specifically selected as test homes for installation of respondents' carpeting and carpet padding, and after installation, such homes will be used for demonstration and advertising purposes by the respondents.

8. Customers will receive reductions or discounts from respondents' regular or usual selling prices which are contingent upon their signing a purchase contract during the initial visit by respondents' sales representative and their agreeing to allow their names and homes to be used for respondents' advertising and promotional purposes.

9. Carpet and carpet padding of the grade and quality sold by the respondents are not available to prospective purchasers through normal retail outlets.

10. Respondents' carpeting will not fade, mat, snag heels, attract dirt or dust, is resistant to various stains and prevents build-up of static electricity.

11. Respondents' carpeting carries a ten-year written guarantee against wear and installation defects.

12. Respondents' carpeting is pre-cut to fit the purchasers' homes the same evening that sales are consummated, implying that purchasers cannot cancel their purchase contracts with the respondents once entered into.

13. The type of carpeting sold by respondents is sold in the carpet trade by the unit and not by the square yard, and therefore respondents' salesmen cannot quote prospective purchasers a price for their products based upon square yards.

14. The prices charged by respondents for their carpeting and carpet padding, and the installation thereof, are lower than those charged by their competitors for products of like grade and quality and for similar installation.

15. The quality of respondents' carpeting and carpet padding is superior to similar products of their competitors; and they have conducted durability tests on their carpeting which proved that it shows no stains or wear under adverse conditions of use.

PAR. 7. In truth and in fact:

1. Respondents' initial contact by telephone with prospective purchasers is not for the purpose of a survey but is made for the purpose of obtaining leads as to persons who may be interested in the purchase of respondents' carpeting and carpet padding.

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2. Respondents' salesmen and representatives do not call on prospective purchasers in their homes for the purpose of delivering a free gift but rather to show carpeting and carpet padding samples and to make a sales presentation, using respondents' sales books and other advertising and promotional documents and materials.

3. Respondents are not the exclusive franchisee or the exclusive sales outlet for a manufacturer of carpets and carpet padding.

4. Respondents' carpeting and carpet padding were not developed exclusively for their sales operations through a special manufacturing process by their franchising manufacturer but are, in fact, standard lines of carpeting and carpet padding sold by the manufacturers thereof.

5. Respondents' carpeting and carpet padding were neither originally developed and manufactured exclusively for commercial use nor sold only to commercial establishments such as hotels, motels, casinos, restaurants and theaters.

6. Respondents have sold and installed residential carpeting and carpet padding for a substantial period of time and their products have been offered for sale on numerous occasions to homeowners for residential use for several years last past.

7. Homes of prospective purchasers are not specifically selected as test homes for the installation of respondents' carpeting and carpet padding; and after installation of said products, purchasers' homes are not used for respondents' demonstration or advertising purposes.

8. Reductions or discounts from respondents' regular, or usual, selling prices are not, in fact, contingent upon purchasers signing a contract during the initial visit by respondents' sales representative; and agreeing to allow their names and homes to be used for respondents' advertising and promotional purposes but, the giving of such reductions or discounts, depends upon the sales resistance of respondents' prospective purchasers.

9. Carpeting and carpet padding of like grade and quality as that sold by respondents is, in fact, available to prospective purchasers through normal retail outlets.

10. Respondents' carpeting will, in fact, fade, mat, snag heels, attract dirt and dust, generate static electricity, and stain, in the same manner and to the same degree as other carpeting of like grade and quality.

11. Respondents' carpeting does not carry a ten-year written guarantee against wear and installation defects; in fact, purchasers thereof are not provided with a written guarantee after they have purchased and had installed respondents' carpeting. When wear and

installation defects are discovered within the period of the alleged guarantee, respondents have refused, in most cases, to make adjustments or to provide other appropriate relief to the purchasers.

12. Respondents' carpeting is not pre-cut to fit the purchasers' homes on the same evenings that their sales are consummated; in fact, respondents' carpeting is delivered for installation to the purchasers' homes in rolls and cut to fit their homes at the job site, and purchasers' right to rescind or cancel their purchase contracts with respondents is not affected despite representations to the contrary by respondents' salesmen.

13. Carpeting of the type sold by respondents is sold in the carpet trade not by the unit but by the square yard and respondents' salesmen can, in fact, quote prices based upon the square yard when making sales presentation to prospective purchasers.

14. The prices charged by respondents for their carpeting, carpet padding and the installation thereof, are, in fact, normally higher than those prices charged for comparable and similar products and services by respondents' competitors.

15. The quality of respondents' carpeting and carpet padding is not, in fact, superior to similar products offered for sale by their competitors; and respondents have conducted no durability tests on their carpeting which proved that its ability to resist stains and wear under adverse conditions of use is greater than that of similar products sold by their competitors.

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

PAR. 8. In the course and conduct of their business, as aforesaid, respondents or their salesmen and representatives, in a substantial number of cases, fail and have in the past failed to disclose orally at the time of the sale, and in writing on any conditional sales contract, promissory note, retail time contract or other instrument executed by the purchaser, with such conspicuousness and clarity as is likely to be read and observed by the purchaser, that such conditional sales contract, promissory note, retail time contract or other instrument may, at the option of the seller and without notice to the purchaser, be negotiated or assigned to a finance company or other third party and that if such negotiation or assignment is effected, the purchaser will then owe the amount due under the contract to the finance company or third party and may have to pay this amount in full, whether or not he has claims against the seller under the contract for defects in the merchandise, installation, nondelivery or the like.



The aforesaid failure of the respondents or their representatives to reveal said facts to purchasers has the tendency and capacity to lead and induce a substantial number of such persons into the understanding and belief that the respondents will not negotiate or transfer such documents, as aforesaid, and that legal obligations and relationships will exist only between such respondents and purchasers and will remain unchanged and unaltered, and has the tendency and capacity to induce a substantial number of such persons to enter into contracts or execute promissory notes for the purchase of respondents' carpeting and carpet padding.

In truth and in fact, respondents frequently, and in a substantial number of cases and in the usual course and conduct of their business, sell, transfer, and assign said notes and retail time contracts to finance companies or third parties so as to bring about the aforementioned changes in legal obligations and relationships.

Therefore, the failure of respondents or their representatives to reveal such facts to prospective purchasers, as aforesaid, was and is an unfair and false, misleading, and deceptive act and practice.

PAR. 9. In the course and conduct of their business, and at all times mentioned herein, respondents have been in substantial competition, in commerce, with corporations, firms and individuals in the sale of carpeting and carpet padding of the same general kind and nature as those sold by respondents.

PAR. 10. 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 into the purchase of substantial quantities of respondents' products by reason of said erroneous and mistaken belief.

PAR. 11. The aforesaid 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 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, Two, and Three above are incorporated by reference in Count II as if fully set forth verbatim.

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PAR. 12. 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. 13. Subsequent to July 1, 1969, in the ordinary course and conduct of their business as aforesaid, and in connection with their credit sales, as "credit sale" is defined in Regulation Z, respondents have entered into installment contracts with their customers, hereinafter referred to as "the contract." Respondents make no consumer credit cost disclosures to customers other than on the contract. By and through use of the contract, respondents have, in some instances, failed to provide the customer with the disclosures required to be made by Section 226.8 of Regulation Z, in violation of that Section.

PAR. 14. Subsequent to July 1, 1969, and in connection with the credit sales referred to in Paragraph Thirteen above, respondents have entered into consumer credit transactions in which they retained or acquired a security interest in real property which was used or expected to be used as the principal residence of the customer. The customer thereby had the right to rescind the transaction as provided in Section 226.9(e) of Regulation Z. Respondents, in connection with these transactions:

1. Failed, in some instances, to provide each customer who had the right to rescind with copies of notice of the right to rescind in the number, manner and form prescribed in Sections 226.9(b) and 226.9(f) of Regulation Z, as required by Section 226.9(b) thereof.

2. Failed, in some instances, to delay performance of work and service for the customer in connection with transaction until the rescission period provided for in Section 226.9(a) of Regulation Z has expired, in violation of Section 226.9(c) of Regulation Z.

PAR. 15. Pursuant to Section 103(k) of the Truth in Lending Act, respondents' aforesaid failures to comply with the requirements of Regulation Z constitute a violation of the Act and, pursuant to Section 108 thereof, respondents thereby violated the Federal Trade Commission Act.

#### COUNT III

Alleging violation of the Textile Fiber Products Identification Act and the rules and regulations promulgated thereunder, the allegations of Paragraphs One, Two, and Three above are incorporated by reference in Count III as if fully set forth verbatim.

PAR. 16. Respondents now, and for some time last past, have been engaged in the introduction, delivery for introduction, sale, offering

for sale, advertising, transportation, and distribution in commerce, of textile fiber products; and have sold, offered for sale, advertised, delivered, transported, and caused to be transported, textile fiber products which have been advertised or offered for sale in commerce; 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 products" are defined in the Textile Fiber Products Identification Act.

PAR. 17. Certain of said textile fiber products were misbranded by respondents within the intent and meaning of Section 4(b) of the Textile Fiber Products Identification Act and the rules and regulations promulgated thereunder, in that they were not stamped, tagged, labeled, or otherwise identified as required under the provisions of said Section 4(b) and in the manner and form as prescribed by the rules and regulations promulgated under the said Act.

Among such misbranded textile fiber products, but not limited thereto, were carpets which were not labeled to show in words and figures plainly legible:

1. The true generic name of the fibers present.
2. The percentage of each fiber present, by weight, in the total fiber content of said textile fiber product.
3. The name, or other identification issued and registered by the Commission of the manufacturer of the carpeting.

PAR. 18. Certain of said textile fiber products were falsely and deceptively advertised in that respondents in making disclosure 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.

Among such textile fiber products, but not limited thereto, were certain carpets which were falsely and deceptively advertised by means of printed matter, in respondents' sales books used in sales presentations made to prospective customers in various States of the United States. The aforementioned carpets were described by such fiber-connoting terms among which, but not limited thereto, was "Camulon", and the true generic name of the fiber contained in such products was not set forth.

PAR. 19. By means of the aforesaid advertisements and others of similar import and meaning not specifically referred to herein, re-

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spondents 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:

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. 20. The acts and practices of respondents as set forth in Count III above were, and are, in violation of the Textile Fiber Products Identification Act and the rules and regulations promulgated thereunder, and constituted, and now constitute, unfair and deceptive acts and practices in commerce, under the Federal Trade Commission Act.

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The Commission, having issued its complaint on June 17, 1971, charging the respondents named in the caption hereof, with violation of the Federal Trade Commission Act, the Truth in Lending Act and the implementing regulation promulgated thereunder, and the Textile Fiber Products Identification Act, and the rules and regulations promulgated thereunder, and respondents having been served with a copy of that complaint; and

The Commission having duly determined upon motion duly certified to the Commission that, in the circumstances presented, the public interest would be served by waiver here of the provisions of Section 2.34(d) of its rules, that the consent order procedure shall not be available after issuance of complaint; and

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

The Commission having considered the aforesaid agreement, and having determined that it provides an adequate basis for appropriate disposition of this proceeding, the agreement is hereby accepted,

the following jurisdictional findings are made, and the following order is entered:

1. Respondent Kustom Enterprises, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Utah, with its principal office and place of business formerly located at 6827 West 38th Avenue, Wheat Ridge, Colorado.

2. Respondents Joseph A. Padilla, Thomas M. Roth and Sherri Roth are individuals and officers of the corporate respondent Kustom Enterprises, Inc. They formulate, direct and control the acts and practices of said corporate respondent, including the acts and practices as set forth in the complaint the Commission has issued. The current address of the individual respondent Joseph A. Padilla is 3490 Nelson Street, Wheat Ridge, Colorado. The current business address of the individual respondents Thomas M. Roth and Sherri Roth is 3021 Tejon Street, Englewood, Colorado.

3. Respondent Marketing Enterprises, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Colorado, with its principal office and place of business formerly located at 6827 West 38th Avenue, Wheat Ridge, Colorado.

4. Respondents Eugene DeWitt and Julian Chavez are individuals and officers of the corporate respondent Marketing Enterprises, Inc. They, together with the individual respondents Joseph A. Padilla and Thomas M. Roth, formulate, direct and control the acts and practices of said corporate respondent, as set forth in the complaint the Commission has issued. The current business address of the individual respondent Eugene DeWitt is 215 St. Paul Street, Denver, Colorado. The current address of the individual respondent Julian Chavez is 1544 South Kipling Court, Denver, Colorado.

5. 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 Kustom Enterprises, Inc., a corporation, and its successors and assigns, and its officers, and Joseph A. Padilla, Thomas M. Roth, and Sherri Roth, individually and as officers of said corporation, and respondents Marketing Enterprises, Inc., a corporation, and its successors and assigns, and its officers, and Eugene DeWitt and Julian Chavez, individually and as officers of said corporation, and respondents' agents, representatives, and

employees, directly or through any corporate or other device, in connection with the advertising, offering for sale, sale, distribution or installation of carpeting, carpet padding, or floor coverings, or any 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, that respondents are conducting a telephone survey when prospective purchasers are called by telephone; or representing, in any manner, that the purpose of said telephone calls is other than to obtain leads or prospects as to persons who may be interested in the purchase of carpeting, carpet padding, floor coverings, or other merchandise or services sold by respondents.

2. Representing, directly or by implication, that respondents' representatives will call on prospective purchasers in their homes for the purpose of delivery of a free gift; or misrepresenting, in any manner, the purpose of respondents' representatives' calls.

3. Failing to disclose to prospective purchasers that respondents' salesmen will call on them at their homes for the purpose of selling respondents' products.

4. Using, in any manner, a sales plan, telephone solicitation plan, scheme or device wherein false, misleading or deceptive statements or representations are made in order to obtain leads or prospects for the sale of carpeting, carpet padding, floor coverings, or other merchandise or services.

5. Representing, directly or by implication, that respondents operate or do business as an exclusive franchisee of, or exclusive sales outlet for, the manufacturer of carpeting and carpet padding; or misrepresenting, in any manner, the nature, scope or character of respondents' business.

6. Representing, directly or by implication, that carpeting and carpet padding sold by respondents have been developed exclusively for their sales operations through a special manufacturing process by their franchising manufacturer, or that such carpeting or carpet padding was developed by the manufacturer thereof exclusively for commercial use to be sold only to establishments such as hotels, motels, casinos, restaurants, and theaters, or that such carpeting and carpet padding are of commercial grade and quality.

7. Representing, directly or by implication, that respondents' carpeting and carpet padding are being offered for sale, or sold, for the first time to homeowners for residential use; or misrepresenting, in any manner, the length of time respondents' carpet-

ing or carpet padding has been offered for sale or sold to homeowners.

8. Representing, directly or by implication, that the homes of prospective purchasers have been specially selected to be used as test homes for the installation of respondents' carpeting and carpet padding or that thereafter they will be used for demonstration or advertising purposes.

9. Representing, directly or by implication, that reductions or discounts from respondents' regular or usual selling prices are contingent upon purchasers signing a contract during the initial visit by respondents' salesmen, or upon purchasers agreeing to allow their names or homes to be used by respondents for advertising or promotional purposes; or misrepresenting, in any manner, that respondents' offer of products is limited as to time or in any other manner, unless such limitations are, in fact, imposed and in good faith adhered to.

10. Representing, directly or by implication, that any price for respondents' carpeting, carpet padding, or for the installation thereof, or other merchandise or services, is a special or reduced price, unless such price constitutes a significant reduction from the price at which such merchandise or services have been sold, or offered for sale by the respondents for a reasonably substantial period of time in the recent, regular course of their business.

11. Representing, directly or by implication, that carpeting or carpet padding, of like grade and quality as that sold by respondents, is not available to purchasers through normal retail outlets.

12. Representing, directly or by implication, that respondents' carpeting will not fade, mat, snag heels, attract dirt or dust, generate static electricity, or show stains as other carpeting of like grade and quality; or misrepresenting, in any manner, the quality features or characteristics of products sold by respondents.

13. Representing, directly or by implication, that any of respondents' carpeting, carpet padding or other products or installations thereof, are guaranteed, unless the true 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 in immediate conjunction therewith; or making any direct or implied representation that any of respondents' products are guaranteed,

unless in each instance a written guarantee is given to the purchaser, containing provisions fully equivalent to those contained in such representations, and unless respondents promptly fulfill all of their obligations under the terms of such guarantee.

14. Representing, directly or by implication, that respondents' carpeting is cut to fit the purchaser's home after the sale thereof, and before the carpeting is delivered to the purchaser's home for installation.

15. Representing, directly or by implication, that carpeting of the type sold by respondents is sold only by the unit, and not by the square yard; or misrepresenting, in any manner, methods used by respondents in the measurement of purchasers' homes for carpeting and carpet padding or the installation thereof, or in determining respondents' selling prices as based upon such measurements.

16. Failing to disclose that respondents' carpeting and carpet padding are sold by the square yard, and the selling price per square yard of such products.

17. Representing, directly or by implication, that the prices charged for respondents' carpeting, carpet padding, and the installation thereof, are lower than those charged by their competitors for products of like grade and quality and for like installation, unless respondents' prices are, in fact, substantially lower than those charged for such products and services in the trade area, during the same period of time, by their competitors for similar products and the installation thereof.

18. Failing to maintain adequate records (a) which disclose the facts upon which any savings claims, including former pricing claims and comparative value claims, and similar representations of the type described in Paragraphs 10 and 17 of this order are based, and (b) from which the validity of any savings claims, including former pricing claims and comparative value claims, and similar representations of the type described in Paragraphs 10 and 17 of this order can be determined.

19. Representing, directly or by implication, that respondents' carpeting and carpet padding have any performance characteristics, or are superior in quality or performance to other products, unless each such characteristic was fully and completely substantiated by competent scientific tests, the results of which are in writing and available for inspection, and the basis of comparison is clearly and specifically stated, and the comparison is based on identical conditions of use.



20. Failing to clearly and conspicuously incorporate the following statement on the face of all sales contracts, promissory notes or other evidence 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 notwithstanding any contractual provisions or other agreement to the contrary.

21. Contracting for any sale, whether in the form of trade acceptance, conditional sales contract, promissory note, or otherwise, which shall become binding on the buyer, prior to midnight of the third day, excluding Sundays and legal holidays, after the date of execution.

22. Failing to disclose orally, prior to the time of sale and in writing on any trade acceptance, conditional sales contract, promissory note or other instrument executed by the 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. Upon such cancellation, the burden shall be on respondents to return any payments received from the buyer.

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

24. Negotiating any trade acceptance, conditional sales contract, promissory note, or other instrument of indebtedness to a finance company or other third party, prior to midnight of the fifth day, excluding Sundays and legal holidays, after the date of execution by the buyer.

25. Failing, in any transaction, to delay the performance and the causing or permitting of performance of any of the following actions, until the cancellation period has expired and respondents have reasonably satisfied themselves that no customer to the transaction has exercised his right of cancellation:

- a. Making any physical changes in the property of the customer;
- b. Performing any work or service for the customer; or
- c. Making any deliveries to the residence of the customer.

*Provided, however,* That nothing contained in Part I of this order shall relieve respondents of any additional obligations respecting

contracts required by federal law or the law of the state in which the contract is made. When such obligations are inconsistent, respondents can apply to the Commission for relief from this provision with respect to contracts executed in the state in which such different obligations are required. The Commission, upon proper showing, shall make such modifications as may be warranted in the premises.

## II

*It is further ordered,* That respondents Kustom Enterprises, Inc., and Marketing Enterprises, Inc., corporations, and their successors and assigns, and their officers, and Joseph A. Padilla, Thomas M. Roth, and Sherri Roth, individually and as officers of the respondent Kustom Enterprises, Inc., and Eugene DeWitt and Julian Chavez, individually and as officers of the respondent Marketing Enterprises, Inc., and respondents' agents, representatives and employees, directly or through any corporate or other device in connection with any extension of consumer credit or any advertisement to aid, assist or promote, directly or indirectly, any extension of consumer credit, as "consumer credit" and "advertisement" are defined in Regulation Z (12 CFR §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 make all disclosures required to be made by Section 226.8 of Regulation Z, as required thereby.

2. Failing, in any consumer credit transaction in which a security interest is or will be retained or acquired in real property, which is used or is expected to be used as the principal residence of the customer, to provide each customer, who has the right to rescind that transaction pursuant to the provisions of Section 226.9(a) of Regulation Z, with copies of the notice of right to rescind, in the number, manner and form prescribed in Sections 226.9(b) and 226.9(f) of Regulation Z, as required by Section 226.9(b) thereof.

3. Failing, in any consumer credit transaction in which a security interest is or will be retained or acquired in real property, which is to be used or is expected to be used as the principal residence of the customer, to delay the performance and the causing or permitting of performance of any of the following actions until the rescission period has expired and respondents have reasonably satisfied themselves that no customer to the transaction has exercised his right of rescission:

- a. Making any physical changes in the property of the customer;
  - b. Performing any work or service for the customer; or
  - c. Making any deliveries to the residence of the customer if the creditor has retained or will acquire a security interest other than one arising by operation of law, except as provided in Section 226.9(e) of Regulation Z, in instances where the customer modifies or waives his right to rescind, as required by Section 226.9(c) of Regulation Z.
4. 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 226.7, 226.8, 226.9 and 226.10 of Regulation Z.

## III

*It is further ordered,* That respondents Kustom Enterprises, Inc., a corporation, and its successors and assigns, and Joseph A. Padilla, Thomas M. Roth, and Sherri Roth, individually and as officers of said corporation, and respondents Marketing Enterprises, Inc., a corporation, and its successors and assigns, and Eugene DeWitt and Julian Chavez, individually and as officers of said corporation, and respondents' agents, representatives, and employees, directly or through any corporate or other device, 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 Identification Act, do forthwith cease and desist from:

1. Misbranding textile fiber products by failing to stamp, tag, label or otherwise identify such products as to each element of information required to be disclosed by Section 4(b) of the Textile Fiber Products Identification Act, in a clear, legible and conspicuous manner, as to:
  - a. The true generic name of the fibers present;
  - b. The percentage of each fiber present, by weight, in the total fiber content of said textile fiber product, exclusive of ornamentation, not exceeding five (5) per centum by weight of the total fiber content.

c. The name, or other identification issued and registered by the Commission, of the manufacturer of the textile fiber products.

2. Falsely and deceptively advertising fiber products by:

a. Making any representation 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.

b. 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.

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

*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 offering for sale, or sale, of any product, or 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 any of 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, or any of them, 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.

## Complaint

## IN THE MATTER OF

JAMES P. SPRATT, ET AL. DOING BUSINESS AS CREDIT  
ARRANGERS, ET AL.

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

*Docket C-2139. Complaint, Jan. 25, 1972—Decision, Jan. 25, 1972*

Consent order requiring two Shreveport, La., operators of debt consolidation businesses to cease failing to disburse promptly to creditors any money received from clients, misrepresenting the efficacy of their service in dealing with creditors, and failing to contact creditors to attempt settlement; respondents also violated the Truth in Lending Act by failing to make disclosures in accordance with Regulation Z of said Act.

## 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 James P. Spratt and Harry P. Scroggins, individually, trading and doing business as Credit Arrangers, Credit Arrangers, Inc., and Credit Arrangers of Jefferson, Inc., 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 such respect in Count I hereof.

Also pursuant to the provisions of the Truth in Lending Act (15 U.S.C. §1601 *et seq.*), and the implementing Regulation Z promulgated thereunder, effective July 1, 1969, the Commission having reason to believe that the respondents have violated the said act of Congress, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, the Commission issues this its complaint stating its charges in such respect in Count II hereof.

## COUNT I

## Charge Under Federal Trade Commission Act

PARAGRAPH 1. James P. Spratt and Harry P. Scroggins formulate, direct and control, and have cooperated and acted together in the performance of the acts and practices of the business which they

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have conducted and are conducting under the names of Credit Arrangers, and/or Credit Arrangers, Inc., and/or Credit Arrangers of Jefferson, Inc., including the acts and practices hereinafter set forth. The office address of Harry P. Scroggins is 2317 Veterans Highway, Kenner, Louisiana. The office address of James P. Spratt is Suite 102, 3109 Alexander Street, Shreveport, Louisiana.

PAR. 2. That although James P. Spratt and Harry P. Scroggins represented that they have incorporated their said business in the State of Louisiana before a Notary Public in an act of incorporation, such business has not been recognized and a charter issued as a corporation by the Secretary of State of Louisiana.

PAR. 3. Respondents are now, and for some time last past have been engaged in the advertising, offering for sale and sale to the public of a service whereby respondents distribute a portion of the income of their clients to their clients' creditors for a fee or service charge.

PAR. 4. In the course and conduct of their business, respondents now sell, and for some time last past have sold their said service to purchasers thereof located in the States of Louisiana, and Texas, and maintain, and at all times mentioned herein, have maintained, a substantial course of trade in said service in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 5. In the course and conduct of their business and for the purpose of inducing the purchase of their service, respondents and their agents have made certain statements and representations with respect thereto and advertisements appearing on radio programs of interstate transmission.

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

RIGHT NOW THOUSANDS OF PEOPLE AROUND THE COUNTRY ARE OUT OF DEBT BECAUSE OF MAKING A SINGLE PHONE CALL TO CREDIT ARRANGERS AT 869-2381.

CREDIT ARRANGERS WILL TAKE OVER ALL OF YOUR BILLS, PAST DUE OR NOT, AND MAKE ALL THE ARRANGEMENTS WITH YOUR CREDITORS.

NO MORE ROBBING PETER TO PAY PAUL, NO SLEEPLESS NIGHTS AND EMBARRASSING PHONE CALLS.

IF YOU HAVE A SINCERE DESIRE TO GET OUT OF DEBT. CALL CREDIT ARRANGERS AT 869-2381.

PAR. 6. By and through the use of the aforementioned statements and representations, and others of similar import and meaning not

specifically set out herein, respondents represent directly or by implication, that:

1. Respondents would receive monthly payments from the clients, and upon receipt thereof, would promptly make payments to the creditors.

2. Respondents would contact the creditors and make agreements with them to reduce the monthly payments due to the creditor.

3. Respondents will consolidate the debt of their clients to their clients' creditors, or financially assist or arrange for financial assistance in the payment of such debts; and

4. Respondents' clients will be assured of delay, restraint or other forbearance on the part of all the creditors of said clients in effecting or attempting to effect collection of debts owed them by said clients.

5. The respondents would seek out and contact each creditor and make a bona fide effort to include each particular creditor in a debt consolidation arrangement.

PAR. 7. In truth and in fact:

1. Respondents have not promptly made payments to creditors but rather have retained the money, and despite numerous demands by clients, refuse to pay the creditors or return the money to clients.

2. In many cases the creditors have not been contacted and no attempt has been made to reduce the amount of the monthly payments.

3. In many cases respondents did not consolidate the debts of the clients to their clients' creditors, or financially assist or arrange for financial assistance in the payment of such debts. Respondents have acted solely as an agent sometimes distributing the monies of their clients as their clients may supply them this money, for which service respondents collect a fee.

4. Respondents have not been successful in obtaining delay, restraint or other forbearance on the part of the creditors of their said clients in many instances.

5. Respondents, in many cases, have neither contacted all creditors nor attempted to include them in a debt consolidation agreement.

Therefore, the statements and representations referred to in Paragraphs Five and Six were and are exaggerated, false, misleading and deceptive.

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

PAR. 9. The use by respondents of the aforesaid exaggerated, false, misleading and deceptive statements and representations 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 respondents' service 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 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

##### The Charge Under The Truth In Lending Act

PAR. 1. to 3. As Paragraphs One to Three, inclusive, of Count II of this complaint the Commission hereby incorporates Paragraphs One to Three, inclusive, of Count I to precisely the same extent as if each and all of them were set forth in full and repeated in extenso in this count.

PAR. 4. In the ordinary course and conduct of their business as aforesaid, respondents arrange, and for some time last past regularly have 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. 5. That respondent has failed to comply with the Truth in Lending Act (15 USC § 1601 *et seq.*), and the implementing Regulation Z promulgated thereunder, specifically, by not making any disclosure required by said law, and not providing printed forms necessary in making such disclosures.

PAR. 6. That 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 New Orleans 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 Truth in Lending Act (15 U.S.C. Section 1601 *et seq.*), and the implementing regulations being 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 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. Respondents James P. Spratt and Harry P. Scroggins are individuals, trading and doing business as Credit Arrangers, Credit Arrangers, Inc., and Credit Arrangers of Jefferson, Inc. Their principal places of business are located at 3109 Alexander Street, Shreveport, Louisiana and 2317 Veterans Highway, Kenner, Louisiana.

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 James P. Spratt and Harry P. Scroggins, individually, trading and doing business as Credit Arrangers, Credit Arrangers, Inc., and Credit Arrangers of Jefferson, Inc., or under any other name, and respondents' agents, representatives and employees, successors and assigns, directly or through any corporate or other device, in connection with the conduct of any business for the assisting of debtors, or any other business, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Failing to disburse promptly to creditors any money received from clients, less charges permitted by applicable law and/or contract.

2. Representing, directly or by implication, that their clients will be assured of delay, restraint or other forbearance on the part of all the creditors of said clients in effecting, or attempting to effect, collection of debts owed them by said clients, or misrepresenting, directly or by implication, their efficacy in providing for, obtaining delay, restraint or other forbearance on the part of the creditors of their clients in effecting, or attempting to effect, collection of debts owed them by said clients.

3. Representing, directly or by implication, that they will consolidate the debts of their clients to their clients' creditors, or financially assist or arrange for financial assistance in the payment of such debts; *Provided however*, That it shall be a defense in any enforcement proceeding hereunder that respondents have actually made a bona fide attempt to consolidate the debts or have financially assisted, or arranged for the financial assistance in the payment of such debts.

4. Failure to contact creditors to attempt to effect a debt consolidation agreement; and to make clear to the client orally and in writing that the creditor may not agree to any debt pooling arrangement proposed.

5. Misrepresenting in any manner the kind or character of the services they render.

6. Misrepresenting themselves to be incorporated.

*It is further ordered*, That respondents James P. Spratt and Harry P. Scroggins, individually, trading and doing business as Credit Arrangers, Credit Arrangers, Inc., and Credit Arrangers of Jefferson, Inc., or under any other name, and respondents' agents, representatives and employees, directly or through any corporate or other device in connection with any extension or arrangement for the 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 CFR §226) of the Truth in Lending Act (Pub.L. 90-321, 15 USC 1601 *et seq.*), do forthwith cease and desist from:

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, 226.7, 226.8, 226.9 and 226.10 of Regulation Z.

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*It is further ordered,* That the respondents herein shall forthwith deliver a copy of this order to cease and desist to all present and future salesmen or other persons engaged in the sale of respondents' merchandise, products or services, and shall secure from each such salesman or other person a signed statement acknowledging receipt of said order.

*It is further ordered,* That the respondents shall notify the Commission within thirty (30) days prior to any change in this business organization such as dissolution, assignment, incorporation or sale resulting in the emergence of a successor corporation or partnership or any other change 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.

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 IN THE MATTER OF

## WEST POINT CHINCHILLAS, 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-2140. Complaint. Feb. 3, 1972—Decision, Feb. 3, 1972*

Consent order requiring Akron, Ohio, sellers and distributors of chinchilla breeding stock to cease making exaggerated profit claims, exaggerating the number of live offspring produced, deceptively guaranteeing their stock, and making other unfair representations; each contract is also required to contain a three day cancellation provision and a notice that any note may be negotiated to a third party. Respondents are also required to use in their consumer credit transactions the terms prescribed 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 by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that West Point Chinchillas, Inc., a corporation, and John J. Meyers and Katherine Meyers, also known as Katherine Summerville, individually and as officers of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts, and it appearing to the Commission that a proceeding by it in

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respect thereof would be in the public interest, hereby issues its complaint stating its charges as follows:

PARAGRAPH 1. Respondent West Point Chinchillas, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Ohio, with its sole office and place of business located at 1258 East Tallmadge Avenue, Akron, Ohio.

Respondents John J. Meyers and Katherine Summerville Meyers are individuals and officers of West Point Chinchillas, Inc. Together they formulate, direct, and control the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. Their address is the same as that of the corporate respondent. The respondents corroborate 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 chinchilla breeding stock to the public.

## COUNT I

Alleging violations of Section 5 of the Federal Trade Commission Act, the allegations in 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 chinchillas to be shipped from various locations including Nashville, Tennessee, West Point, Nebraska, and respondents' place of business in Akron, Ohio, to purchasers thereof located in various States of the United States. Respondents 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 obtaining the names of prospective purchasers and inducing the purchase of said chinchillas and related products, the respondents have made, and are now making, numerous statements and representations in newspapers of general interstate circulation, by means of direct mail advertising, by means of television broadcasts, and through oral statements and displays of promotional materials to prospective purchasers by their salesmen. Typical and illustrative of the foregoing, but not all inclusive thereof, are the following:

Each year more garment manufacturers are demanding to use chinchilla fur. More pelts are being sold each year. Dramatic growth over a recent six-year

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period puts the chinchilla pelt market into the multi-million dollar bracket. A much stronger market is anticipated in the future as chinchillas become more plentiful.

\* \* \* \* \*

A couple of minutes of simple procedure will normally fill the time requirements for general maintenance of the chinchilla herd.

\* \* \* \* \*

Chinchillas respond beautifully when given individual attention but they resist mass production methods. For this reason the choice chinchilla of the future may well come from thousands of relatively small producers rather than from mass breeding farms where individual attention to animals is not possible.

\* \* \* \* \*

Although it is impossible to forecast what any new rancher's production figure will be a conservative average of three babies per female per year would be a good number to try for.

\* \* \* \* \*

Our chinchillas are accompanied by fur evaluation sheets issued by a competent person with considerable experience in evaluating chinchillas for fur values.

\* \* \* \* \*

Chinchilla fur is considered by many as the finest fur in the world today and there should always be a market for good quality chinchilla breeding stock.

\* \* \* \* \*

We are in the business of producing the most expensive fur in the world and look forward to getting a high price for our product. Our thoughts are concurred with by the various fur auction people whom we have contacted on the subject.

\* \* \* \* \*

West Point has spent thousands of dollars in research and development. All of the knowledge gained is available to you at no extra charge. This know-how is a most valuable feature of the West Point program.

\* \* \* \* \*

With few, if any, pelts reaching the market each year the world must look to controlled breeding farms for the future supply.

\* \* \* \* \*

Chinchilla breeding as a full-time occupation or as a part-time profitable business is bringing a source of enjoyment and important financial return to increasing numbers of persons. You may also find pleasure and profit along with others who are engaged in this fascinating enterprise.

\* \* \* \* \*

Low overhead is one of the most distinct advantages. In most instances time required is only about three minutes per animal per day. Feed costs should not exceed \$4.00 per animal per year on a large herd basis.

\* \* \* \* \*

If you can use from \$2,000 to \$20,000 each year as: extra income, retirement

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income, full-time income, raise chinchillas for a profit. Start building your herd today for future security.

\* \* \* \* \*

West Point Chinchillas, Inc. guarantees you:

Your herd will prosper and double in the first twelve months.  
 The market for all the chinchillas you can raise.  
 Top quality foundation stock.  
 Progressive assistance.  
 Local associate members.  
 Constant consultation services.  
 Monthly branch meetings.  
 Continuous quality improvement.  
 Regular educational seminars.  
 Financial assistance.  
 Lifetime membership.

\* \* \* \* \*

Do you like animals? Can you use extra income? If your answers are yes and you have a garage, basement or spare bedroom that would be suitable to start raising chinchillas your net earnings could be from \$2,000 to \$20,000 per year.

\* \* \* \* \*

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, and through the oral representations of salesmen, respondents have represented, and are now representing, directly or by implication, that:

(1) It is commercially feasible to breed stock and raise chinchillas from breeding stock purchased from respondents in homes, basements, spare rooms, or garages and large profits can be expected in this manner.

(2) The breeding of chinchillas from breeding stock purchased from respondents as a commercially profitable enterprise requires no previous experience in the breeding, caring for, and raising of such animals.

(3) Each female chinchilla purchased from respondents and each female offspring will usually litter successively several times annually, producing from one to six animals per litter, averaging about three offspring annually.

(4) A purchaser starting with eight (8) females and two (2) males of respondents' chinchilla breeding stock will start to earn a profit after three years from the sale of live animals or their pelts.

(5) Chinchilla breeding stock purchased from respondents is guaranteed to live and litter and the herd will double in one year.

(6) The respondents will promptly fulfill all of their obligations

and requirements set forth in or represented directly or by implication in the guarantee applicable to each and every chinchilla.

(7) Purchasers of respondents' chinchilla breeding stock can expect a great demand for the offspring and for the pelts of the offspring of respondents' chinchillas.

(8) Respondents will purchase any or all of the chinchilla offspring raised by purchasers of respondents' chinchillas.

(9) Through the assistance and advice furnished to purchasers of respondents' chinchilla breeding stock by respondents, purchasers are able to successfully breed and raise chinchillas as a commercially profitable enterprise.

(10) Respondents have an expert staff to assist purchasers of respondents' chinchilla breeding stock in the care and maintenance of said animals and such assistance is available promptly and at all times.

(11) Respondents' chinchilla breeding stock is top quality as rated by a reputable fur grading system.

(12) Chinchillas are hardy animals and are not susceptible to ailments.

(13) West Point is one of the largest sellers of chinchilla breeding stock in the United States and has had many years of experience in chinchilla raising.

(14) A rancher must buy all supplies from National Chinchilla Supply Corporation or obtain permission from respondents prior to buying from another source so as to assure the quality of the food and supplies purchased.

PAR. 6. In truth and in fact:

(1) It is not commercially feasible to breed or raise chinchillas from breeding stock purchased from respondents in homes, basements, spare rooms, garages, and large profits cannot be expected this way. Such quarters or buildings, unless they have adequate space and the requisite temperature, humidity, ventilation, and necessary environmental conditions, are not adaptable to or suitable for the breeding or raising of chinchillas.

(2) The breeding of chinchillas from breeding stock purchased from respondents as a commercially feasible enterprise requires specialized knowledge in the breeding, caring for, and raising of said animals, much of which must be acquired through actual experience.

(3) Each female chinchilla purchased from respondents and each female offspring will not usually litter successively several times annually producing one to six offspring per year, averaging three offspring annually, but generally less than that number.

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(4) A purchaser starting with eight (8) females and two (2) males of respondents' chinchilla breeding stock will not start to earn a profit after three years from the sale of live animals or their pelts but it will take substantially longer than that amount of time.

(5) Chinchilla breeding stock purchased from respondents is guaranteed to live, breed, litter, and double in the first year, but such guarantee as is provided is subject to numerous terms, limitations, and conditions.

(6) Respondents do not, in fact, promptly fulfill all of their obligations and requirements set forth in or represented directly or by implication in the guarantee applicable to each and every chinchilla.

(7) Purchasers of respondents' breeding stock cannot expect a great demand for the offspring and pelts from respondents' chinchillas.

(8) Respondents will seldom, if ever, purchase any or all chinchilla offspring raised by purchasers of respondents' breeding stock.

(9) Purchasers of respondents' chinchilla breeding stock are not able to successfully breed and raise chinchillas as a commercially profitable enterprise through the assistance and advice furnished them by respondents.

(10) Respondents do not have an expert staff to aid purchasers of respondents' chinchilla breeding stock in the care and maintenance of said animals and respondents often fail to provide the guidance and assistance requested by purchasers of respondents' breeding stock.

(11) Respondents' chinchilla breeding stock is not all of top quality, nor is it rated by a reputable fur grading system.

(12) Chinchillas are not hardy animals and are susceptible to ailments.

(13) Respondents are not one of the largest sellers of chinchilla breeding stock in the United States, nor have respondents had many years of experience in chinchilla ranching.

(14) Purchasers of respondents' breeding stock need not buy all supplies from National Chinchilla Supply Corporation, nor is it necessary to obtain permission from respondents prior to buying food and supplies from another source so as to assure the quality of such food and supplies.

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 conduct of their business at all times mentioned herein, respondents have been in substantial competition, in commerce, with corporations, firms, and individuals in the sale of mer-



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chandise of the same general kind and nature as that sold by the respondents.

PAR. 8. The use by respondents of the aforesaid false, misleading, and deceptive statements and representations, acts, 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' chinchillas by reason of said erroneous and mistaken belief.

PAR. 9. The acts and practices of the respondents as set forth above 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 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. 10. In the ordinary course and conduct of their business, as aforesaid, respondents regularly extend, and for some time last past have regularly extended, 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. 11. Subsequent to July 1, 1969, respondents, in the ordinary course and conduct of their business, and in connection with credit sales as "credit sale" is defined in Regulation Z, have caused and induced, and are causing and inducing, their customers to execute Retail Installment Contracts, hereinafter referred to as The Contracts.

PAR. 12. By and through the use of The Contracts, respondents:

(1) Fail to print the term "finance charge" more conspicuously than other terminology where such term is required to be used as required by Section 226.6(a) of Regulation Z.

(2) Fail to make full consumer credit cost disclosures before the transaction is consummated and to furnish the customers with a duplicate of the instrument or a statement by which the required disclosures are made, as required by Section 226.8(a) of Regulation Z.

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(3) Fail to make all the required consumer credit cost disclosures in any one of the following three ways:

(a) Together on the contract evidencing the obligation on the same side of the page and above or adjacent to the place for the customer's signature, or

(b) On one side of the separate statement which identifies the transaction, or

(c) On both sides of the single document containing on each side thereof the statement *Notice*: "See Other Side For Important Information,"

with a place for the customer's signature following the full content of the document, as required by Section 226.8(a) of Regulation Z.

(4) Fail to make the full disclosures required in sale and non-sale credit transactions, as set forth in Section 226.8(b) of Regulation Z.

(5) Fail to make the full disclosures required for credit sales as set forth in Section 226.8(c) of Regulation Z.

PAR. 13. Pursuant to Section 103(q) of the Truth In Lending Act, respondents' aforesaid failures to comply with Regulation Z constitute violations of that Act and pursuant to Section 108 thereof, respondents have thereby violated the Federal Trade Commission Act.

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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 Cleveland Field 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 regulations 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 are 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

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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 West Point Chinchillas, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Ohio, with its sole office and place of business located at 1258 East Tallmadge Avenue, Akron, Ohio.

Respondents John J. Meyers and Katherine Meyers, also known as Katherine Summerville, are individuals and are officers of the corporate respondent. They formulate, direct, and control the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. Their 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 West Point Chinchillas, Inc., a corporation, and John J. Meyers and Katherine Summerville Meyers, individually and as officers of said corporation, and respondents' agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, offering for sale, sale or distribution of chinchilla breeding stock or any other articles of merchandise, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Representing directly or by implication that:

1. It is commercially feasible to breed or raise chinchillas in homes, basements, spare rooms, or garages, or other quarters or buildings, unless in immediate conjunction therewith it is clearly and conspicuously disclosed that the represented quarters or buildings can only be adaptable to and suitable for the breeding and raising of chinchillas on a commercial basis if they have the requisite space, temperature, humidity, ventilation, and other environmental conditions.

2. Breeding chinchillas purchased from respondents as a commercially profitable enterprise can be achieved without previous knowledge or experience in the breeding, caring for and raising of such animals.

3. The number of litters or sizes thereof produced per female chinchilla is any number or range thereof; or representing, in any manner, the past number or range of numbers of litters or sizes produced per female chinchilla of purchasers of respondents' breeding stock unless, in fact, the past number or range of numbers represented are those of a substantial number of purchasers and accurately reflect the number or range of numbers of litters or sizes thereof produced per female chinchilla of these purchasers under circumstances similar to those of the purchaser to whom the representation is made and unless such facts are fully documented by accurate records.

4. A purchaser starting with eight (8) females and two (2) males of respondents' chinchilla breeding stock will start to earn profits or income from the sale of live animals or their pelts after three years, or representing in any manner the past earnings, profits, or income of purchasers of respondents' breeding stock unless, in fact, the past earnings, profits, or income represented are those of a substantial number of purchasers and accurately reflect the average profits or range of profits of these purchasers under circumstances similar to those of the purchaser to whom the representation is made and unless such facts are fully documented by accurate records.

5. Chinchilla breeding stock purchased from respondents is guaranteed to live and litter and herds will double in one year.

6. Chinchilla breeding stock purchased from respondents is guaranteed or warranted without clearly and conspicuously disclosing the nature and extent of the guarantee, the manner in which the guarantor will perform thereunder, and the identity of the guarantor, and unless respondents do, in fact, promptly fulfill all obligations and requirements set forth in or represented, directly or by implication, to be contained in any guarantee or warranty applicable to each and every chinchilla.

7. Chinchillas or chinchilla pelts are in great demand; or that purchasers of respondents' breeding stock can expect

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to be able to sell the offspring of respondents' chinchillas because said chinchillas or pelts are in great demand.

8. Respondents will purchase all or any offspring raised by purchasers of respondents' chinchilla breeding stock unless respondents do, in fact, purchase all of the offspring offered by said purchasers at the price and on the terms and conditions represented.

9. The assistance or advice furnished to purchasers of respondents' chinchilla breeding stock by respondents will enable purchasers to successfully breed or raise chinchillas as a commercially profitable enterprise.

10. Respondents have an expert staff to assist purchasers of respondents' chinchilla breeding stock in the care and maintenance of said animals and such assistance is available promptly and at all times unless they have such staff as represented and their services and assistance are available promptly and at all times.

11. Respondents' chinchilla breeding stock is of top quality as rated by a reputable fur grading system, or misrepresenting, in any manner, the quality of respondents' chinchilla breeding stock.

12. Chinchillas are hearty animals or are not susceptible to ailments.

13. West Point is one of the largest sellers of chinchilla breeding stock in the United States and has had many years of experience in chinchilla raising.

14. A rancher must buy all supplies from National Chinchilla Supply Corporation or obtain permission from respondents prior to buying from another source so as to assure the quality of the food and supplies purchased.

B. Misrepresenting, directly or by implication:

1. The assistance, training, services or advice supplied by respondents to purchasers of their chinchilla breeding stock.

2. The earnings or profits to purchasers or reproduction capacity of any chinchilla breeding stock.

3. The market demand for the pelts or offspring of respondents' chinchillas.

4. Chinchilla pelts and offspring from respondents' breeding stock will sell for any price, average price or range of prices; or the past price, average price or range of prices of purchasers of respondents' breeding stock unless, in fact, the past price, average price or range of prices represented

are those of a substantial number of purchasers and accurately reflect the price, average price or range of prices realized by these purchasers under circumstances similar to those of the purchaser to whom the representation is made.

*It is further ordered*, That the respondents herein shall, in connection with the offering for sale, the sale or distribution of chinchilla breeding stock or any other related products, when the offer for sale or sale is made in the buyer's home, forthwith:

1. Include in each contract a provision giving the purchaser in any sale, whether in the form of trade acceptance, conditional sales contract, promissory note, or otherwise, that such sale shall not become binding on the buyer prior to midnight of the third day, excluding Sundays and legal holidays, after date of execution.

2. Disclose orally, prior to the time of sale, and in writing, on any trade acceptance, conditional sales contract, promissory note or other instrument executed by the buyer with such conspicuousness and clarity as is likely to be observed and read by such buyer, that the buyer may rescind or cancel by directing or mailing a notice of cancellation to respondents prior to midnight of the third day, excluding Sundays and legal holidays, after the date of sale. Upon such cancellation the burden shall be on respondents to collect any goods left in the 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 of taking reasonable care of the goods prior to cancellation and during a reasonable period following cancellation.

3. Provide a separate and clearly understandable form which the buyer may use as a notice of cancellation.

4. *Provided, however*, That nothing contained in this part of the order shall relieve respondents of any additional obligations respecting contracts made in the home required by federal law or the law of the state in which the contract is made. When such obligations are inconsistent, respondents can apply to the Commission for relief from this provision with respect to contracts executed in the state in which such different obligations are required. The Commission, upon proper showing, shall make such modifications as may be warranted in the premises.

*It is further ordered*, That the respondents will incorporate the following statement on the face of all contracts executed by respond-

ents' customers with such conspicuousness and clarity as is likely to be observed, read, and understood by the purchaser:

#### Important Notice

If you are obtaining credit in connection with this contract you will be required to sign a promissory note. This note may be purchased by a bank, finance company or any other third party. If it is purchased by another party, you will be required to make your payments to the purchaser of the note. You should be aware that if this happens you may be required to pay the note in full to the new owner of the note even if this contract is not fulfilled.

#### II

*It is ordered*, That respondents West Point Chinchillas, Inc., a corporation, and John J. Meyers and Katherine Meyers, individually and as officers of said corporation, and respondents' agents, representatives and employees, directly or through any corporate or other device, in connection with any extension of consumer credit or any advertisement to aid, 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 print the term "finance charge" more conspicuously than other terminology where such term is required to be used as required by Section 226.6(a) of Regulation Z.
2. Failing to make full disclosures before the transaction is consummated and to furnish the customers with a duplicate of the instrument or a statement by which the required disclosures are made, as required by Section 226.8(a) of Regulation Z.
3. Failing to make all the required disclosures in any one of the following three ways:
  - (a) Together on the contract evidencing the obligation on the same side of the page and above or adjacent to the place for the customer's signature; or
  - (b) On one side of the separate statement which identifies the transaction; or
  - (c) On both sides of the single document containing on each side thereof the statement: "Notice: See Other Side For Important Information,"with a place for the customer's signature following the full

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content of the document, as required by Sections 226.8(a) and 226.801 of Regulation Z.

4. Failing to make the full disclosures required in sale and non-sale credit transactions, as set forth in Section 226.8(b) of Regulation Z.

5. Failing to make the full disclosures required for credit sales as set forth in Section 226.8(c) of Regulation Z.

6. 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, 226.7, 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 offering for sale, or sale of any products or 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 the 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 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.

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IN THE MATTER OF

HOWARD McMASTER ARNOLD, DOING BUSINESS AS  
TED ARNOLD USED CARS

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

*Docket C-2141. Complaint, Feb. 4, 1972—Decision, Feb. 4, 1972*

Consent order requiring an Oakland, Calif., individual seller of used automobiles to cease violating the Truth in Lending Act by failing to use in his installment contracts the terms "cash price," "trade-in," "cash downpayment,"



"unpaid balance of cash price," "amount financed," "deferred payment price," and other terms required by Regulation Z of said Act.

#### COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and of the Truth in Lending Act and the regulations promulgated thereunder, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Howard McMaster Arnold, an individual trading as Ted Arnold Used Cars, hereinafter referred to as respondent, has violated the provisions of said Acts, and of the regulations 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 Howard McMaster Arnold is an individual, trading as Ted Arnold Used Cars with his office and principal place of business located at 1424 East 14th Street, Oakland, California.

PAR. 2. Respondent is now, and for some time last past has been engaged in the offering for sale and sale of used cars to the public at retail.

PAR. 3. In the ordinary course and conduct of his business as aforesaid, respondent regularly extends, and for some time last past has regularly extended, 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, respondent, in the ordinary course and conduct of his business and in connection with credit sales as "credit sale" is defined in Regulation Z, has caused, and is causing, certain of his customers to execute Motor Vehicle Purchase Orders, hereinafter referred to as the "Order" on which the respondent provides certain consumer credit cost information.

By and through the use of the order respondent:

1. Fails to render the consumer credit cost disclosures required by Section 226.8 of Regulation Z before consummation of the credit transactions as required by Section 226.8(a) of Regulation Z.

2. Fails to exclude the State of California Department of Motor Vehicles license, registration, and certificate of title transfer fees in computing the "cash price" as required by Section 226.2(i) of Regulation Z.

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3. Fails, in some instances, to use the term "trade-in" to describe the downpayment in property made in connection with the credit sale, as required by Section 226.8(c)(2) of Regulation Z.

4. Fails to use the term "cash downpayment" to describe the downpayment in money made in connection with the credit sale, as required by Section 226.8(c)(2) of Regulation Z.

5. Fails to use the term "unpaid balance of cash price" to describe the difference between the cash price and the total downpayment as required by Section 226.8(c)(3) of Regulation Z.

6. Fails, in some instances, to use the term "amount financed" to describe the amount of credit extended, as required by Section 226.8(c)(7) of Regulation Z.

7. Fails, in some instances, to disclose the "deferred payment price," which is 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, as required by Section 226.8(c)(8)(ii) of Regulation Z.

8. Fails, in some instances, to disclose the "annual percentage rate" in credit transactions where finance charges are imposed, as required by Sections 226.5, 226.6(a) and 226.8(b)(2) of Regulation Z.

9. Fails, in some instances, to disclose the "total of payments," as required by Section 226.8(b)(3) of Regulation Z.

PAR. 5. Pursuant to Section 103(q) of the Truth in Lending Act, respondent's aforesaid failures to comply with the provisions of Regulation Z constitute violations of that Act and, pursuant to Section 108 thereof, respondent 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 respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the San Francisco Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act, the Truth in Lending Act, and the regulations promulgated under the Truth in Lending Act; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the afore-

said draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that 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 Howard McMaster Arnold, is an individual trading as Ted Arnold Used Cars with his office and principal place of business located at 1424 East 14th Street, Oakland, California.

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 Howard McMaster Arnold, an individual trading as Ted Arnold Used Cars, or under any other name or names, and respondent's representatives, agents and employees, directly or through any corporate or other device, in connection with any consumer credit extension as "consumer credit" is defined in Regulation Z (12 CFR §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 render the consumer credit cost disclosures required by Section 226.8 of Regulation Z before consummation of the credit transactions, as required by Section 226.8(a) of Regulation Z.

2. Failing to exclude the State of California Department of Motor Vehicles license, registration, and certificate of title transfer fees in computing the "cash price" as required by Section 226.2(i) of Regulation Z.

3. Failing to use the term "trade-in" to describe the downpayment in property made in connection with the credit sale, as required by Section 226.8(c)(2) of Regulation Z.

4. Failing to use the term "cash downpayment" to describe the downpayment in money made in connection with the credit sale, as required by Section 226.8(c)(2) of Regulation Z.

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5. Failing to use the term "unpaid balance of cash price" to describe the difference between the cash price and total down-payment as required by Section 226.8(c)(3) of Regulation Z.

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

7. Failing to disclose the "deferred payment price," which is 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, as required by Section 226.8(c)(8)(ii) of Regulation Z.

8. Failing to disclose the "annual percentage rate" in credit transactions where finance charges are imposed, as required by Sections 226.5, 226.6(a), and 226.8(b)(2) of Regulation Z.

9. Failing to disclose the "total of payments," as required by Section 226.8(b)(3) of Regulation Z.

10. 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, 226.9 and 226.10 of Regulation Z.

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

*It is further ordered.* That the respondent herein shall, within sixty (60) days after service upon him of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which he has complied with this order.

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IN THE MATTER OF

LU WANE PRODUCTS CO., INC.

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

*Docket C-2142. Complaint. Feb. 10, 1972—Decision. Feb. 10, 1972*

Consent order requiring a Wayne, N.J., manufacturer and distributor of wearing apparel, including ladies' turbans under the name "Magic Turban," to

cease violating the Flammable Fabrics Act by importing and selling any fabric which fails to conform to the standards of said 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 Lu Wane Products Co., Inc., a corporation, hereinafter referred to as respondent, prior to January 17, 1970, 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 Lu Wane Products Co., 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 the manufacture, sale and distribution of products including, but not limited to, ladies' turbans made of 100 per cent cotton material, reinforced with nylon thread, and marketed under the name "Magic Turban," with their principal place of business located in Wayne, New Jersey.

PAR. 2. Respondent, prior to January 17, 1970, has been engaged in the manufacture for sale, the sale or offering for sale, in commerce, 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; and has manufactured, sold and offered for sale, products made of fabrics or related materials which have been shipped or received in commerce, as "commerce," "product," "fabric," and "related material" are defined in the Flammable Fabrics Act, as amended, which products and fabrics 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 ladies' turbans made of 100 per cent cotton material, reinforced with nylon thread, and marketed under the name "Magic Turban."

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 and deceptive acts and practices in commerce, within the intent and meaning of the Federal Trade Commission Act.

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## 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 Bureau of Consumer Protection 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 Lu Wane Products Co., 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 the business of the manufacture, sale and distribution of products including, but not limited to, ladies' turbans made of 100 percent cotton material, reinforced with nylon thread, and designated as the "Magic Turban," with its office and principal place of business located at Wayne, New Jersey.

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 Lu Wane Products Co., Inc., a corporation, and its officers, and respondent's representatives, agents and employees, directly or through any corporate 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," or "related material" are defined in the Flammable Fabrics Act, as amended, which product, fabric or related material fails to conform to any 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 have been delivered by said respondent, 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 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 an interim special report in writing setting forth the respondent's intentions as to compliance with this order. This interim special report shall also advise the Commission fully and specifically concerning the identity of the products which gave rise to the complaint, (1) the number of such products in inventory, (2) any action taken and any further actions proposed to be taken to notify customers of the flammability of such products and effect recall of such products from said customers, and of the results of such actions, (3) any disposition of such products since January 16, 1970, (4) 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 whether respondent has in inventory any fabric, product or related material, as "fabric," "product" and "related material" are defined in the Flammable Fabrics Act, having a plain surface and made of paper, silk, rayon and acetate, nylon and acetate, rayon, cotton or combinations thereof, in a weight of two ounces or less per square yard, or having a raised fiber surface made of cotton or

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rayon or combinations thereof. Respondent will submit samples of any such fabric, product 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 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.

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IN THE MATTER OF

ROBERT BUSSE & CO., INC., DOING BUSINESS AS BUSSE  
HOSPITAL DISPOSABLES, ET AL.

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

*Docket C-2143. Complaint, Feb. 10, 1972—Decision, Feb. 10, 1972*

Consent order requiring a Great Neck, Long Island, New York, seller and distributor of hospital supplies and wearing apparel, including disposable paper operating room caps and face masks, to cease violating the Flammable Fabrics Act by importing and selling any fabric which fails to conform to the standards of said 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 Robert Busse & Co., Inc., a corporation, trading as Busse Hospital Disposables, and Robert Busse and Emmanuel Cardinale, individually and as officers 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 Com-



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mission 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 Robert Busse & Co., Inc., trading as Busse Hospital Disposables is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York. Respondents Robert Busse and Emmanuel Cardinale are officers of said corporate respondent. They formulate, direct and control the acts, practices and policies of said corporation.

The respondents trade under the name of Busse Hospital Disposables and are engaged in the sale and distribution of hospital supplies and wearing apparel, including but not limited to disposable operating room caps and disposable face masks, with their principal place of business located at 10 South Middle Neck Road, Great Neck, Long Island, New York.

PAR. 2. Respondents are now and for some time last past have been engaged in 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 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.

Among such products mentioned hereinabove were disposable paper operating room caps and face masks.

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 Division of Textiles and Furs, 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

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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 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 Robert Busse & Co., Inc., trading as Busse Hospital Disposables, is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York.

Respondents Robert Busse and Emmanuel Cardinale are officers of the corporate respondent. They formulate, direct, and control the acts, practices, and policies of said corporation.

Respondents are engaged in the sale of wearing apparel, including but not limited to disposable paper face masks and disposable paper caps, with their office and place of business located at 10 South Middle Neck Road, Great Neck, Long Island, 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 Robert Busse & Co., Inc., a corporation, trading as Busse Hospital Disposables or under any other name or names, and its officers, and Robert Busse and Emmanuel Cardinale, individually and as officers of said corporation, and respondents' representatives, agents and employees, directly or through any corporate 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 any applicable standard or regulation issued, amended or continued in effect, 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 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 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 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 March 9, 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 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.

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*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 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.

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IN THE MATTER OF

## BURLINGTON INDUSTRIES, INC.

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

*Docket C-2144. Complaint, Feb. 10, 1972—Decision, Feb. 10, 1972*

Consent order requiring a Greensboro, N.C. manufacturer and distributor of textile fiber products, including cotton organdy fabrics, to cease violating the Flammable Fabrics Act by importing and selling any fabric which fails to conform to the standards of said 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 Burlington Industries 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 Burlington Industries, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware. Its address is 301 N. Eugene Street, Greensboro, North Carolina.

Respondent is engaged in the manufacture, importation, sale and distribution of textile fiber products including, but not limited to fabrics.

PAR. 2. Respondent is now and for some time last past has been engaged in the manufacture for sale, sale or offering for sale, in commerce, and has imported into the United States, introduced, delivered for introduction, transported and caused to be transported in commerce, and has sold or delivered after sale or shipment in commerce, fabric, as "commerce" and "fabric" are defined in the Flammable Fabrics Act, as amended, which fabric 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 fabrics mentioned hereinabove were 100 percent cotton organdy fabrics.

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 Bureau of Consumer Protection 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

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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 finding, and enters the following order:

1. Respondent Burlington Industries, 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 the manufacture, importation, sale and distribution of textile fiber products including, but not limited to, fabrics, with its office and principal place of business located at 301 N. Eugene Street, Greensboro, North Carolina.

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 the respondent Burlington Industries, Inc., a corporation, and its officers and respondent's representatives, agents and employees, directly or through any corporate 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 issued, amended or continued in effect, under the provisions of the aforesaid Act.

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

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

*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 fabric which gave rise to the complaint, (2) the amount of said fabric in inventory, (3) any action taken and any further actions proposed to be taken to notify customers of the flammability of said fabric and effect the recall of said fabric from customers, and of the results thereof, (4) any disposition of said fabric since May 16, 1970, and (5) any action taken or proposed to be taken to bring said fabric into conformance with the applicable standard of flammability under the Flammable Fabrics Act, as amended, or destroy said fabric and the results of such action. Such report shall further inform the Commission as to whether or not respondent has 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. Upon request of the Commission respondent 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 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.

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IN THE MATTER OF

STETSON WOOLEN CO., 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-2145. Complaint, Feb. 10, 1972—Decision, Feb. 10, 1972*

Consent order requiring a Los Angeles, Calif., seller of imported and domestic woolen fabrics to cease misbranding its woolen products.

Complaint

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## 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 Stetson Woolen Co., Inc., a corporation, and Bernard H. Wasserman and Anthony E. Aaronson, individually and as officers of said corporation, 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 Stetson Woolen Co., Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of California, with its office and principal place of business located at 1329 East 16th Street, Los Angeles, California.

Individual respondents Bernard H. Wasserman and Anthony E. Aaronson are officers of said corporation. They formulate, direct and control the policies, acts and practices of said corporation, and their address is the same as that of the corporate respondent.

Respondents are engaged in the purchase of woolen fabrics, both imported and domestic, and the sale of same to customers in various States of the United States.

PAR. 2. Respondents, now and for some time last past, have 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 the respondents within the intent and meaning of Section 4(a)(1) of the Wool Products Labeling Act of 1939 and the rules and regulations promulgated thereunder, in that they were falsely and deceptively stamped, tagged, labeled or otherwise identified with respect to the character or amount of the constituent fibers contained therein.

Among such misbranded wool products, but not limited thereto, were woolen fabrics stamped, tagged, labeled, or otherwise identified as containing "100% Wool" whereas in truth and in fact, such fabrics contained substantially different fibers and amounts of fibers than represented.

PAR. 4. Certain of said wool products were further misbranded by respondents in that they were not stamped, tagged, labeled, or other-



wise 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 wool products, namely fabrics, 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 5 per centum or more; and (5) the aggregate of all other fibers.

PAR. 5. The acts and practices of 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 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 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

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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 Stetson Woolen Co., Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of California, with its office and principal place of business located at 1329 East 16th Street, Los Angeles, California.

Respondents Bernard H. Wasserman and Anthony E. Aaronson are officers of said corporation. They formulate, direct and control the policies, acts and practices of said corporation, and their address is the same as that of the corporate respondent.

Respondents are engaged in the purchase of woolen fabrics, both imported and domestic, and the sale of same to customers in various States of the United States.

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 Stetson Woolen Co., Inc., a corporation, and its officers, and Bernard H. Wasserman and Anthony E. Aaronson, individually and as officers of said corporation, and respondents' representatives, agents and employees, directly or through any corporate or other device, in connection with the introduction into commerce, or 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 wool products by:

1. Falsely and deceptive stamping, tagging, labeling or otherwise identifying such products as to the character or amount of the constituent fibers contained therein.

2. Failing to securely affix to or place on each 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 change in the corporate respondent such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of

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subsidiaries or 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.

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 IN THE MATTER OF

## MICKIE STEIGER, INC., ET AL.

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

*Docket C-2146. Complaint, Feb. 10, 1972—Decision, Feb. 10, 1972*

Consent order requiring a Chicago, Ill., importer and jobber of various products, including scarves, to cease violating the Flammable Fabrics Act by importing and selling any fabric which fails to conform to the standards of said 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 Mickie Steiger, Inc., a corporation, and Morton Steiger, 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 Mickie Steiger, Inc., is a corporation, organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its office and principal place of business located at 1433 South Wabash Avenue, Chicago, Illinois.

Respondent Morton Steiger is an officer of the aforesaid corporation. He cooperates in formulating, directing and controlling the acts, practices and policies of said corporation. His address is the same as that of the corporate respondent.

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Respondents are importers and jobbers of various products 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 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 Mickie Steiger, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its office and principal place of business located at 1433 South Wabash Avenue, Chicago, Illinois.

Respondent Morton Steiger is an officer of Mickie Steiger, Inc., a corporation. He cooperates in formulating, directing and controlling the policies, acts and practices of said corporation. His address is the same as that of said corporation.

Respondents are importers and jobbers of various products 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 Mickie Steiger, Inc., a corporation, its successors and assigns, and its officers, and Morton Steiger, 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 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

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of said products, and effect 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 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 May 18, 1971, 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 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

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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

## G.R.I. CORPORATION

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

*Docket 8828. Complaint, Feb. 11, 1972\*—Decision, Feb. 11, 1972*

Consent order requiring a Chicago, Ill., marketer of vitamins, cosmetics and beauty kits to cease making "free" offers to enroll customers, falsely guaranteeing its products, misrepresenting the quality of its products in any way, misrepresenting that its prices are reduced or special, misrepresenting the potency of its vitamin compounds, shipping merchandise without the consent or request of the consignee, billing or dunning such person for the unordered merchandise, attempting to collect for merchandise which has been refused or returned, and using other unfair practices.

## 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 G.R.I. Corporation, a corporation, hereinafter referred to as respondent, has 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 G.R.I. Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its principal office and place of business located at 623 South Wabash, Chicago, Illinois.

PAR. 2. Respondent is now, and has been for some time last past, engaged in the sale and distribution of vitamin-mineral "capsulets," which contain ingredients which come within the classification of food or drug as the terms "food" and "drug" are defined in the Federal Trade Commission Act.

The designation used by respondent for the said vitamin-mineral capsulets, the formula thereof and directions for use are as follows:

\*By order issued December 14, 1971, the Commission, upon consideration of its acceptance on the same date of the consent order agreement in this matter, withdrew the complaint issued January 7, 1971, and in lieu thereof issued the complaint reported herein.

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*Designation: Over-Fifty Capsulets*

## Formula :

	% MDR
Vitamin A (Synthetic) 15,000 U.S.P. Units-----	375%
Vitamin B-1 (Thiamin HCL) 15 mg-----	1500%
Vitamin B-2 (Riboflavin) 5 mg-----	416%
Vitamin B-6 (Pyriodoxine HCL) 0.5 mg-----	*
Vitamin B-12 (Cobalamin Conc.) 5 mcg-----	*
Vitamin C (Ascorbic Acid) 100 mg-----	333%
Vitamin D (Calciferol) 1,000 U.S.P. Units-----	250%
Vitamin E (d-Alpha Tocopheryl Acetate) 10 I.U.-----	*
Niacinamide 50 mg-----	500%
Calcium Pantothenate 5 mg-----	*
Inositol 10 mg-----	**
1-Lysine Monohydrochloride 25 mg-----	**
Choline Bitartrate 10 mg-----	**
Methionine 10 mg-----	**
Rutin 25 mg-----	**
Biotin 25 mcg-----	**
Betaine Hydrochloride 10 mg-----	**
Iron (Dried Ferrous Sulfate) 20 mg-----	200%
Calcium 58.2 mg-----	7.7%
Phosphorus 45.0 mg-----	6%
(Note: Calcium and Phosphorus are obtained from 201 mg. Di-calcium Phosphate Anhydr.)	
Sodium (Sodium Chloride) 1 mg-----	*
Iodine (Potassium iodide) 0.10 mg-----	100%
Sulphur (from Sulfates) 15 mg-----	**
Potassium (Potassium sulfate) 5 mg-----	*
Aluminum Hydroxide 30 mg-----	**
Magnesium (Magnesium Sulfate) 2 mg-----	*
Copper (Cupric Oxide) 0.50 mg-----	*
Manganese (Manganese Sulfate) 0.50 mg-----	**

Capsulets are capsule shaped tablets.

% MDR—Percentage minimum daily adult requirement.

\*The daily adult requirement has not been established.

\*\*The need in human nutrition has not been established.

Directions : One capsulet a day, during or after breakfast, not before.

Respondent also sells and distributes a skin cream preparation trade named "Bio-Rich Beauty Cream," and "Beauty Kits" containing several individual products, which come within the classification of cosmetics as the term "cosmetic" is defined in the Federal Trade Commission Act.

PAR. 3. In the course and conduct of its business as aforesaid, respondent now causes, and for some time last past has caused, its products, when sold, to be shipped from its place of business in the State of Illinois to purchasers thereof located in various other States of the United States, and maintains, and at all times mentioned



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## Complaint

herein has 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 its aforesaid business, respondent has disseminated, and has caused the dissemination of certain advertisements by the United States mails and by various other means in commerce as "commerce" is defined in the Federal Trade Commission Act, including advertisements in newspapers of general circulation, for the purpose of inducing and which are likely to induce directly or indirectly, the purchase of said products; and has disseminated, and caused the dissemination of advertisements 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 its said products in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 5. Typical and illustrative of the statements and representations made in said advertising disseminated as aforesaid, but not all inclusive nor with intent to limit evidence thereof are the following:

The folks who formulate these great capsules have authorized me to make this special offer to all my old friends listening to this broadcast. Thus you can have these amazing capsules—a full \$3.00 supply absolutely free.

You will surely want to take advantage of this generous free vitamin offer.

Now you can begin to insure yourself against these vitamin deficiencies before they occur by sending for your FREE TRIAL SUPPLY of vitamin capsules *today*.

\* \* \* My very special free offer to women who want to discover the miracle of skin beauty accept a 4-week supply of Bio-Rich beauty cream absolutely free \* \* \*

The attached free trial certificate, if mailed promptly entitles you to receive absolutely free, a four week supply of one of the most wonderful discoveries I've ever known to help your skin stay as lovely and beautiful as can be! \* \* \* It's called Bio-Rich Beauty Cream and is especially created for mature women like you and me.

I understand that I am only trying Bio-Rich and I am not obligated to buy any Bio-Rich in the future.

Just mail the certificate on the back together with \$1.00 in the enclosed envelope and you will receive a fabulous beauty kit of famous name cosmetics, toiletries, lotions and beauty aids with a guaranteed value of at least \$10.00 \* \* \*

Hurry \* \* \* trial offer may be withdrawn without notice.

Offer good for limited time only. Mail certificate today!

Use this superb formula regularly before trouble spots haunt you. If you are over thirty-five \* \* \* it is more important to take care of your natural skin beauty looks now than in any time in your life. Why look old before your time?

**IS YOUR SKIN BEAUTY FADING?**

If you are over thirty-five \* \* \* it is more important to take care of your natural skin beauty looks now than in any other period of your life.

## Complaint

80 F.T.C.

## HOW CAN BIO-RICH HELP YOU?

Recently cosmetic science has discovered precious substances to counteract the skin dryness of most normally healthy women \* \* \* these ingredients plus many more, carefully blended, tested and measured go into Bio-Rich.

\* \* \* Continue to receive automatic super-fresh monthly shipments of our high potency vitamin/mineral CAPSULETS as long as you want at special member's discount savings.

I understand that I will be entitled to receive a new Beauty Kit every three months—and to keep it for the special member's price of only \$4.98 \* \* \*

You can cancel any time or you will continue to receive automatic, fresh shipments of Bio-Rich Beauty Cream every other month as long as you want at special member's discount savings.

You can take these Capsulets with complete confidence that all regulations and scientific controls have been strictly observed.

Guarantee of Complete Satisfaction—This iron-clad warantee is your assurance that the high-potency vitamin-mineral Capsulets you receive are super-fresh \* \* \* And we will continue to do everything possible to keep our fine reputation by shipping only super-fresh, high-potency Capsulets.

These wonderful high potency capsulets may help *prevent* nutritional deficiencies of Vitamin B1, Vitamin B2, Vitamin C or Niacinamide which could result in a feeling of: *tiredness, nervousness, loss of vigor, worry, irritability and restlessness*. Now you can begin to insure yourself against these vitamin deficiencies before they occur \* \* \*.

PAR. 6. By the use of the aforesaid advertisements and others of similar import and meaning, not specifically set out herein, respondent has represented, and is now representing directly and by implication that:

1. A thirty day supply of vitamin and mineral "capsulets" will be *sent free* to persons responding to the advertisements.
2. Persons answering the advertisements for "free" or "trial" product will not be treated as being under any obligation to respondent.
3. Respondent offers a bona fide guarantee of the value of its "beauty kit."
4. Respondent offers a valid guarantee for the freshness and potency of its vitamin-mineral preparations.
5. Respondent's "free" offers are of limited duration.
6. Thirty-five is a critical age among women which requires that special attention be given to their skin.
7. The ingredients contained in "Bio-Rich Beauty Cream" are recent and new discoveries of medical science.
8. Respondents' products are being offered for sale at special or reduced prices, and that savings are thereby afforded purchasers from respondent's regular selling price.
9. Respondent has made reasonable efforts to insure that all regulations and scientific controls have been strictly observed in the production and marketing of its vitamin-mineral capsulets.

10. The use of respondent's vitamin-mineral capsules and each ingredient therein will be of benefit in the prevention of tiredness, nervousness, restlessness, listlessness, worry, irritability, tension, depression, lack of pep and energy, loss of vigor and vitality, and lack of alertness.

PAR. 7. In truth and in fact at times pertinent hereto:

1. The thirty day supply of respondent's vitamin and mineral "capsules" is not "free" for the reason that such offer is an inseparable part of a plan under which respondents, after the receipt of the thirty day supply by those who accept the offer, ships additional monthly supplies of its product to said persons and attempts to collect the price thereof.

2. Respondent treats persons answering advertisements for "free" or "trial" products as being under an obligation to purchase additional supplies or to cancel further shipments of merchandise.

3. Respondent does not offer a bona fide guarantee of the value of its "beauty kits."

4. Respondent does not offer a valid guarantee for the freshness and potency of its vitamin-mineral preparations in that the freshness and potency of said preparations cannot reasonably be ascertained by the purchasers thereof, nor is the nature and extent of the guarantee and the manner in which the guarantor will perform thereunder disclosed.

5. Respondent's "free" offers of products are not of limited duration.

6. There is no critical age at which women need to give special attention to their skin.

7. The ingredients used in "Bio-Rich" preparations are not recent or new discoveries of medical science.

8. Respondent's products are not being offered for sale at special or reduced prices, and, savings are not thereby afforded respondent's customers because of a reduction from respondent's regular selling prices.

9. Respondent has not made reasonable efforts to insure that all regulations and scientific controls have been strictly observed in the production and marketing of its vitamin-mineral capsules.

10. Respondent's vitamin-mineral capsules will not be of benefit in the prevention of the symptoms of tiredness, nervousness, restlessness, listlessness, worry, irritability, tension, depression, lack of pep or energy, loss of vigor or vitality, or lack of alertness, except in a small minority of persons whose tiredness, nervousness, restlessness, listlessness, worry, irritability, tension, depression, lack of pep or

energy, loss of vigor or vitality, or lack of alertness is due to a deficiency of Vitamin B-1 (Thiamin), Vitamin B-2 (Riboflavin), Vitamin C (Ascorbic Acid), or Niacinamide. All of the remaining ingredients in this preparation are of no benefit in the prevention of said symptoms.

Therefore, the advertisements referred to in Paragraph Five 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.

PAR. 8. In the course and conduct of its business, respondent now causes, and for some time last past has caused, shipments of its said vitamin-mineral preparations, skin cream preparations, and "beauty kits" to be sent to persons located in various States of the United States who have not ordered such merchandise and to persons located in various States of the United States who have notified respondent not to ship such merchandise, and attempts, or causes to be attempted, the collection of the price thereof.

PAR. 9. The aforesaid acts and practices of respondent, as herein alleged, including the dissemination of the false advertisements as aforesaid 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 Sections 5 and 12 of the Federal Trade Commission Act.

#### DECISION AND ORDER

The Commission having issued its complaint on January 7, 1971\*, charging the respondent named in the caption hereof with violation of the Federal Trade Commission Act, and respondent having been served with a copy of that complaint; and

The Commission having duly determined upon motion duly certified to the Commission that, in the circumstances presented, the public interest would be served by waiver here of the provisions of Section 2.34(d) of its rules, that the consent order procedure shall not be available after issuance of complaint; and

Respondent and counsel for the complaint having thereafter executed an agreement containing a consent order, an admission by respondent of all jurisdictional facts set forth in the complaint, a statement that the signing of the agreement by respondent is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as set forth in such com-

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\*By order issued Dec. 14, 1971, the Commission, upon consideration of its acceptance on the same date of the consent order agreement in this matter, withdrew the complaint issued Jan. 7, 1971, and in lieu thereof issued the complaint reported herein.

plaint, and waivers and provisions as required by the Commission's rules; and

The Commission having considered the aforesaid agreement and having determined that it provides an adequate basis for appropriate disposition of this proceeding, the agreement is hereby accepted, the following jurisdictional findings are made, and the following order is entered:

1. Respondent G.R.I. Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its principal office and place of business located at 623 South Wabash Avenue, Chicago, Illinois.

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 G.R.I. Corporation, a corporation, and its officers, representatives, agents and employees, directly or through any corporate or other device in connection with the offering for sale, sale or distribution of "Bio-Rich Beauty Cream," "Over Fifty Capsulets," and "Beauty Kits," or any food, drug or cosmetic, do forthwith cease and desist from directly or indirectly:

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

(a) Any product is offered "free" or under any other terms where the offer is used as a means of enrolling those who accept the offer in a plan whereby additional supplies of the product are shipped at an additional charge unless all of the conditions of the plan are disclosed clearly and conspicuously and within close proximity to, the "free" or other offer.

(b) Persons who respond to advertisements incur no obligation when responding to such advertisements: *Provided, however,* This prohibition shall not apply to a representation that persons receiving merchandise are under no obligation to keep or to continue receiving such merchandise.

(c) Respondent's products are guaranteed in any manner unless the nature and extent of the guarantee, the identity of the guarantor and the manner in which said guarantor will perform thereunder are clearly and conspicuously disclosed in immediate conjunction therewith; and unless the respondent fully, satisfactorily and promptly performs all

of its obligations and requirements under the terms of the guarantee.

(d) The freshness or potency of any vitamin-mineral or cosmetic preparation is guaranteed.

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

(f) Women of any special age require special care or attention for their skin or skin problems.

(g) Bio-Rich Beauty Cream or the ingredients thereof is new or is a recent discovery.

(h) Any price for respondent's products is a special or reduced price, unless such price constitutes a significant reduction from an established selling price at which such products have been sold in substantial quantities by respondent in the recent regular course of its business, and unless respondent has maintained business records that substantiate an established selling price at which such products have been sold in substantial quantities in the recent regular course of its business; or misrepresenting in any manner the savings available to purchasers. In the sale of the products of others, including assortments and/or kits containing the products of others, a representation of comparable value shall not violate the provisions of this paragraph when such comparable value is based on respondent's good faith reliance upon a manufacturer's assurance of value based on (1) substantial recent sales of an item at a given price, or (2) in the case of items that are packaged in a size not otherwise sold to the public, based on a pro rata adjustment from the prices obtained for those sizes of the items that have been sold recently and in substantial quantities. Written evidence of said manufacturer's assurance of value shall be maintained by respondent.

(i) That regulations and scientific controls relating to respondent's products have been strictly observed, or in any manner representing that respondent's products conform to any stricter regulations or controls than those required for any other similar products.

(j) That the use of respondent's vitamin-mineral "capsulets" will be of benefit in the prevention of the symptoms of tiredness, nervousness, restlessness, listlessness, worry, irritability, tension, depression, lack of pep or energy, loss

of vigor or vitality, or lack of alertness, unless such advertisement expressly limits the effectiveness of the preparation to those persons whose symptoms are due to a deficiency of Vitamin B-1 (Thiamin), Vitamin B-2 (Riboflavin), Vitamin C (Ascorbic Acid), or Niacinamide, and further, unless such advertising clearly and conspicuously reveals the facts that in the great majority of persons, or of any age, sex, or other group or class thereof, who experience such symptoms, these symptoms are caused by conditions other than those which may respond to the use of respondent's vitamin-mineral preparation, and that in such persons the preparation will not be of benefit.

(k) That the ingredients in respondent's vitamin-mineral preparation other than Vitamin B-1 (Thiamin), Vitamin B-2 (Riboflavin), Vitamin C (Ascorbic Acid), or Niacinamide will be of benefit in the prevention of tiredness, nervousness, restlessness, listlessness, worry, irritability, tension, depression, lack of pep or energy, loss of vigor or vitality, or lack of alertness.

2. Dissemination, or causing to be disseminated, by any means, for the purpose of inducing, or which is likely to induce, directly or indirectly, the purchase of respondent's products in commerce, as "commerce" is defined in the Federal Trade Commission Act, any advertisement which contains any of the representations or misrepresentations prohibited by Paragraph 1 hereof.

*It is further ordered,* That respondent G.R.I. Corporation, a corporation, and its officers, representatives, agents and employees, directly or through any corporate or other device in connection with the offering for sale, sale or distribution of "Bio-Rich Beauty Cream," "Over Fifty Capsulets," and "Beauty Kits," or any food, drug or cosmetic product in commerce, as "commerce" is defined by the Federal Trade Commission Act, do forthwith cease and desist from:

1. Shipping or sending any merchandise to any person without the prior expressed request or consent of the person to whom such merchandise is sent, unless such merchandise is a free sample and has attached to it a clear and conspicuous statement informing the recipient that he may treat the merchandise as a gift to him and has the right to retain, use, discard, or dispose of it in any manner he sees fit without any obligation whatsoever to the sender in regard to that merchandise.

2. Mailing any bill or any dunning communication for any merchandise shipped or sent without the prior expressed request or consent of the recipient, to such recipient.

3. Shipping or sending merchandise to any person and attempting, or causing to attempt, the collection of the price thereof when a notification of cancellation for any further shipments of merchandise has been sent by such person: *Provided, however,* That it shall be a defense in any enforcement proceeding instituted under this prohibition for respondent to affirmatively establish that: (1) such merchandise had been shipped less than ten (10) working days after said notification of cancellation had been received by respondent in the regular course of business, and (2) no invoices, except for that one accompanying the shipment of said merchandise, or any notice requesting payment for or return of said merchandise had been sent or caused to be sent by respondent to such person concerning said shipment, except that respondent may send one notice to such person advising that the cancellation has been effected and requesting the return of such merchandise if respondent clearly discloses in said notice that such person is under no obligation to return said merchandise, and respondent promises to pay for the return of said merchandise and further, respondent, in fact, reimburses such person for any expenses incurred in its return.

4. Attempting, or causing to attempt, the collection of the price for merchandise when such merchandise has been refused and returned to respondent: *Provided, however,* That it shall be a defense in any enforcement proceeding instituted under this prohibition for respondent to affirmatively establish that any collection notice sent in regard to said refused and returned merchandise could not reasonably be halted after the return of said merchandise, except that this defense shall be unavailable with respect to any collection notice sent more than twenty (20) days after the date on which such merchandise has been refused, returned, and received by respondent in the regular course of business.

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

*It is further ordered,* That respondent 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 respondent 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 the order to cease and desist.

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IN THE MATTER OF

PUBLISHERS CONTINENTAL SALES CORPORATION,  
ET AL.

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

*Docket 8841. Complaint, May 6, 1971—Decision, Feb. 11, 1972*

Order requiring a Michigan City, Indiana, solicitor and seller of magazine subscriptions to the public through sales agents to cease failing to reveal all aspects of the job when recruiting prospective solicitors, misrepresenting that such solicitors, will be engaged in contests for college and other awards, misrepresenting the terms and conditions of soliciting subscriptions, deceptively guaranteeing the delivery of the magazines, fostering sympathy appeals by its solicitors, failing to refund monies promptly, and failing to notify subscribers of their rights to cancel subscription contract within 3 days. The respondent is also required to deliver a copy of the decision and order to its sales agents and representatives. The complaint is dismissed as to Robert W. Lake as an individual.

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 Publishers Continental Sales Corporation a corporation, and Walter H. Lake, Jr. and Robert W. Lake, individually and as officers of said 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 Publishers Continental Sales Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Indiana, with its principal office and place of business located at 2601 E. Michigan Boulevard in the city of Michigan City, State of Indiana.

Respondents Walter H. Lake, Jr. and Robert W. Lake are officers and directors of the corporate respondent. They formulate, direct and control the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. Their address is the same as that of the corporate respondent.

PAR. 2. Respondents are engaged in the sale of magazine subscriptions and other publications to the purchasing public by either of two methods which are commonly referred to as "cash subscription" and "two-payment."

Respondents enter into business arrangements with certain publishers or distributors of magazines and other publications whereby the publishers or distributors agree to accept and fill orders for designated magazines or other publications sold by respondents. The publishers or distributors generally require that the magazines or other publications be sold for a designated amount and that respondents forward an agreed upon amount to the publisher or distributor thereof.

Pursuant to such arrangements the respondents solicit and sell to the purchasing public subscriptions to such magazines.

PAR. 3. In the course and conduct of their business of selling magazine subscriptions pursuant to subscription contracts, as aforesaid, respondents have entered into contractual arrangements with publishers or distributors of magazines whereby respondents are authorized to sell certain magazine subscriptions at designated selling prices and to pay designated amounts to said publishers or distributors as payment for said subscriptions. Respondents are thereby given authority to sell subscriptions to some but not all magazines and other publications.

PAR. 4. In the course and conduct of their business, as aforesaid, respondents enter, and have entered, into agreements with individuals known as "crew managers" who in turn employ or hire "sales agents," solicitors," or other representatives to sell said magazines.

Acting through their said crew chiefs and solicitors, respondents place into operation and, through various direct and indirect means and devices, control, direct, supervise, recommend and otherwise implement sale methods whereby members of the general public are contacted by door-to-door solicitations, and by means of statements, representations, acts and practices as hereinafter set forth, are induced to sign subscription contracts with respondents which provide for the purchase of magazines or other publications and payment therefor usually on a cash or two-payment basis.

Respondents also provide crew managers with credentials, sales contract forms, magazine lists and other printed materials some of which bear the name and address of the corporate respondent. Said printed materials are placed in the hands of respondents' sales solicitors for use in the solicitation of magazine subscriptions.

The subscription contracts, when signed by the subscriber, are thereafter returned by the sales solicitor and the crew manager to the respondents who place subscription orders with the appropriate publishers and distributors for magazines and other publications respondents are authorized to sell.

In the manner aforesaid, respondents, directly or indirectly through said crew managers control, furnish the means, instrumentalities, services and facilities for, condone, approve and accept the pecuniary benefits flowing from the acts, practices and policies hereinafter set forth, of said crew managers and sales solicitors, hereinafter collectively referred to as respondents' representatives or solicitors.

PAR. 5. In the course and conduct of their business and in the manner aforesaid, respondents through their representatives or solicitors, who travel from one area to another, solicit subscriptions for magazines in various States of the United States. Respondents transmit and receive in commerce the aforementioned printed materials used in the solicitation and sale of magazine subscriptions. The subscription contracts and money are sent by said representatives or solicitors from various states to respondents' place of business in the State of Indiana and are then forwarded by respondents to various publishers or distributors, many of whom are located in states other than the State of Indiana. Respondents thereby maintain, and at all times mentioned herein have maintained, a substantial course of trade in the sale of magazine subscriptions in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 6. Respondents, in the course and conduct of their business as aforesaid, have disseminated, and now disseminate or cause to be disseminated, classified advertisements in newspapers of general and interstate circulation and in newspapers throughout the United States and have made statements and representations respecting pay and working conditions, designed and intended to induce individuals to apply as representatives or solicitors to sell magazine subscriptions on the behalf of respondents.

Among and typical of such representations, but not all inclusive thereof, is the following:

Complaint

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## ATTENTION YOUNG MEN

National concern has immediate opening for neat young men over 18, free to travel New York, California, 22 major cities in U.S. with chaperoned group. All transportation furnished expenses advanced daily. Above average earnings. Must be able to start immediately.

In the aforesaid manner, the respondents have represented, and are now representing directly or by implication, that:

1. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents will travel on a planned itinerary to major cities throughout the United States.

2. Respondents will pay the expenses of persons who answer respondents' advertisements and who become representatives or solicitors for respondents.

3. Respondents will furnish all transportation to persons who answer respondents' advertisements and who become representatives or solicitors for respondents.

PAR. 7. In truth and in fact:

1. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents will be magazine subscription solicitors selling magazines on a door-to-door basis, and will not travel on a planned itinerary to major cities throughout the United States.

2. Respondents do not pay the expenses of persons who answer respondents' advertisements and who become representatives or solicitors for respondents.

3. Respondents do not furnish all transportation to persons who answer respondents' advertisements and who become representatives or solicitors for respondents.

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

PAR. 8. In the course and conduct of their aforesaid business, and for the purpose of inducing the purchase of their magazine subscriptions, respondents and respondents' representatives or solicitors have represented, and now represent, directly or by implication, that:

1. Respondents are authorized to sell subscriptions for and are able to deliver or cause the delivery of all magazines for which they sell subscriptions and accept payments.

2. Respondents' representatives or solicitors are participants in a "contest" working for prizes and awards and are not solicitors working for money compensation.

3. Respondents' representatives or solicitors are employed by or for the benefit of a charitable or non-profit organization.

4. Respondents' representatives or solicitors are employed by or affiliated with programs sponsored by a government agency the purpose of which is to provide assistance to underprivileged groups or persons.

5. Respondents' representatives or solicitors are competing for college scholarship awards.

6. Respondents' representatives or solicitors are college students working their way through school.

7. Respondents' representatives or solicitors are "bonded" and that such bonding insures their honesty and integrity.

8. Respondents have placed a bond with The Central Registry of the Magazine Publishers Association which guarantees the fulfillment of each and every magazine subscription order sold on their official receipts.

9. Respondents guarantee the delivery of magazines for which they sell subscriptions and accept payments.

10. The money paid by the subscriber to the respondents' representative or solicitor at the time of the sale is the total cost of the subscription.

PAR. 9. In truth and in fact:

1. Respondents are not authorized to sell subscriptions for and are not able to deliver or to cause the delivery of all magazines for which their representatives or solicitors sell subscriptions and accept payments. In many instances, respondents' representatives or solicitors sell subscriptions for magazines, which respondents are not authorized by the publisher or distributor thereof to sell, and consequently, respondents are unable to deliver or to cause the delivery of these magazines, for which they have accepted payments from subscribers.

2. Respondents' representatives or solicitors work for money compensation, and are not participants in a "contest" working for prizes and awards. The use by respondents and their representatives or solicitors of credentials and promotional materials identifying such representatives or solicitors as participants in a contest is a spurious device which enables their representatives or solicitors to utilize a personal sympathy appeal in the sale of subscriptions.

3. Respondents' representatives or solicitors are not employed by or for the benefit of a charitable or non-profit organization.

4. Respondents' representatives or solicitors are not employed by or affiliated with programs sponsored by a government agency the purpose of which is to provide assistance to underprivileged groups or persons.

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5. Respondents' representatives or solicitors are not competing for college scholarship awards.

6. In a substantial number of instances, respondents' representatives or solicitors are not college students working their way through college.

7. Respondent representatives or solicitors are not "bonded;" and there is no assurance for their honesty and integrity.

8. The bond which respondents have filed with The Central Registry of the Magazine Publishers Association does not guarantee the fulfillment of each and every magazine subscription sold by or through respondents.

9. Respondents do not guarantee the delivery of magazines for which they sell subscriptions and accept payments and, once the order is submitted to the publisher or distributor, no further effort is made by respondents to insure such delivery.

10. In a substantial number of instances, the money paid by the subscriber to the respondents' representative or solicitor at the time of the sale is not the total cost of the sale, and the subscriber is required to pay an additional sum of money before his subscription will be entered as ordered.

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

PAR. 10. In the further course and conduct of their business as aforesaid, where respondents have received payment for subscriptions to magazines they are not authorized to sell and are not able to deliver or cause to be delivered, they have also, in a substantial number of instances:

1. Failed to notify subscribers, after subscription orders have been received at their principal office and place of business, that said magazines cannot be delivered.

2. Have attempted to require purchasers to subscribe to substitute magazines without initially offering them the option to receive a full refund of the money paid for the subscription.

3. Failed to answer, or to answer promptly, inquiries by or on behalf of subscribers concerning non-delivery of such magazines.

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

PAR. 11. In the further course and conduct of their business as aforesaid, where respondents have received payment for subscriptions to magazines they are in fact authorized to sell and are able to deliver or cause to be delivered, they have, in many instances,

failed to deliver or cause to be delivered such magazines within a reasonable period of time.

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

PAR. 12. In the further course and conduct of their business as aforesaid, respondents, through their representatives and solicitors, have misrepresented, and are now misrepresenting, the terms and conditions of the sales contract.

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

PAR. 13. 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 magazine subscriptions.

PAR. 14. By and through the use of the aforesaid acts and practice, respondents place in the hands of the crew managers, sales agents, representatives and others, the means and instrumentalities by and through which they may mislead and deceive the public in the manner and as to the things hereinabove alleged.

PAR. 15. The use by respondents of the aforesaid false, misleading, deceptive and unfair representations, acts 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 a substantial number of magazine subscriptions from respondents.

PAR. 16. 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 unfair and deceptive acts and practices in commerce in violation of Section 5 of the Federal Trade Commission Act.

#### DECISION AND ORDER

The Commission having issued its complaint on May 6, 1971, charging the respondents named in the caption hereof with violation of the Federal Trade Commission Act, and the respondents having been served with a copy of that complaint; and

The Commission having duly determined upon motion certified to the Commission that, in the circumstances presented, the public interest would be served by waiver here of the provision of Section 2.34(d) of its rules that the consent order procedure shall not be available after issuance of complaint; and

Decision and Order

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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, 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 set forth in such complaint, and waivers and provisions as required by the Commission's rules; and

The Commission having considered the aforesaid agreement and having determined that it provides an adequate basis for appropriate disposition of this proceeding, the agreement is hereby accepted, the following jurisdictional findings are made, and the following order is entered:

1. Respondent Publishers Continental Sales Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Indiana, with its principal office and place of business located at 2601 E. Michigan Boulevard, in the city of Michigan City, State of Indiana.

Respondent Walter H. Lake, Jr. is an officer of the corporate respondent. He formulates, directs and controls the acts and practices of the corporate respondents. 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

*It is ordered*, That respondents Publishers Continental Sales Corporation, a corporation, and its officers, and Walter H. Lake, Jr., individually and as an officer of said corporation, and respondents' agents, representatives, employees, successors and assigns, directly or through any corporate or other device, in connection with the advertising, offering for sale, or distribution of magazines, magazine subscriptions or other products or the sale, solicitation or acceptance of subscriptions for magazines or other publications of monies paid therefor, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing, directly or by implication, to prospective solicitors and solicitors that they will travel on a planned itinerary to various large cities throughout the United States; or misrepresenting in any manner, the travel opportunities available to their representatives or solicitors.

2. Representing, directly or by implication, to prospective solicitors and solicitors that respondents' will pay the expenses



of such solicitors; or misrepresenting, in any manner, the terms or conditions of employment as a solicitor for respondents.

3. Representing, directly or by implication, to prospective solicitors or solicitors that respondents will furnish all transportation to such solicitors while traveling for, or on behalf of, respondents.

4. Representing, directly or by implication, to prospective solicitors and solicitors that they will serve in any capacity other than as magazine subscription solicitors selling magazines on a door-to-door basis; or misrepresenting, in any manner, the terms, conditions, or nature of such employment, or the manner or amount of payment for such employment.

5. Failing clearly and unqualifiedly, to reveal during the course of any contact or solicitation of any prospective employee, sales agent or representative, whether directly or indirectly, or by written or printed communications, or by newspaper or periodical advertising, or person-to-person, that such prospective employee, sales agent or representative will be employed to solicit the sale of magazine subscriptions.

6. Soliciting or accepting subscriptions for magazines or other publications which respondents have no authority to sell or which respondents cannot promptly deliver or cause to be delivered.

7. Representing, directly or by implication, that respondents' representatives or solicitors are participants in a contest working for prize awards and are not solicitors working for money compensation; or misrepresenting, in any manner, the status of their sales agents or representatives or the manner or amount of compensation they receive.

8. Representing, directly or by implication, that respondents' representatives or solicitors are employed by or for the benefit of any charitable or non-profit organization; or misrepresenting in any manner, the identity of the solicitor or of his firm or of the business they are engaged in.

9. Representing, directly or by implication, that respondents' representatives or solicitors are employed by or affiliated with programs sponsored by a government agency the purpose of which is to provide assistance to underprivileged groups or persons.

10. Representing, directly or by implication, that respondents' representatives or solicitors are competing for college scholarship awards.

11. Representing, directly or by implication, that respondents'

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representatives or solicitors are college students working their way through school, unless such is the fact.

12. Representing, directly or by implication, that respondents' sales agents or representatives have been or are bonded or making any references to bonding, unless such sales agents or representatives have been bonded by a recognized bonding agency, and any payments made pursuant to such bonding arrangement would accrue directly to the benefit of subscribers ordering subscriptions from respondents' representatives or solicitors; or misrepresenting, in any manner, the nature, terms or conditions of any such bond.

13. Representing, directly or by implication, that respondents have a legal arrangement with any independent third party which insures the placement and fulfillment of each and every magazine subscription order; or misrepresenting, in any manner, the nature, terms and conditions of any such arrangement.

14. Representing, directly or by implication, that respondents guarantee the delivery of magazines for which they sell subscriptions and accept payments, without clearly and conspicuously disclosing the terms and conditions of any such guarantee; or misrepresenting, in any manner, the terms and conditions of any guarantee.

15. Representing, directly or by implication, that the money paid by a subscriber to the respondents' representative or solicitor at the time of the sale is the total cost of the subscription in instances where the subscriber will be required to remit an additional amount in order to receive the subscription as ordered.

16. Representing, directly or by implication, that magazines purchased by subscribers will be distributed to various schools and institutions as gifts or contributions.

17. Misrepresenting the number and name(s) of publications being subscribed for, the number of issues and duration of each subscription and the total price for each and all such publications.

18. Utilizing any sympathy appeal to induce the purchase of subscriptions, including but not limited to: illness, disease, handicap, race, financial need, eligibility for benefit offered by respondents, or other personal status of the solicitor, past, present or future; or representing that earnings from subscriptions sales will benefit certain groups of persons such as students or the under-privileged, or will help charitable or civic groups, organizations or institutions.

19. Failing to answer and to answer promptly inquiries by or

on behalf of subscribers regarding subscriptions placed with respondents.

20. Failing within thirty days from the date of sale of any subscription to enter each magazine subscription with publishers for magazines which respondents are authorized by the publisher or distributor thereof to sell: *Provided, however*, in those sales in which an additional payment is required, the subscription shall be entered within 14 days of the receipt of the final payment, but in no event shall any subscription be entered later than 60 days from the date of sale.

21. Failing within thirty days from the date of sale of any subscription to notify a subscriber of respondents' inability to place all or a part of a subscription and to deliver each of the magazines or other publications subscribed for; and to offer each such subscriber the option to receive a full refund of the money paid for such subscription or part thereof which respondents are unable to deliver or to substitute other publications in lieu thereof.

22. Failing within fourteen days from the receipt of notification of a subscriber's election as provided in Paragraph 21 hereof, to make the required refund or to enter the subscription with publishers, as elected by the subscriber.

23. Failing to refund to subscribers the money said subscribers have paid for subscriptions to magazines or, at the election of the subscriber, to enter the subscription as originally ordered in instances where the respondents' representatives or solicitors have appropriated such money to their own use and have failed to enter the subscriptions as ordered by said subscribers, within fourteen days of verified notice thereof.

24. Failing to give clear and conspicuous oral and written notice to each subscriber that upon written request said subscriber will be entitled to a refund of all monies paid if he does not receive the magazine or magazines subscribed for within 120 days of the date of the sale thereof.

25. Failing to refund all monies to subscribers who have not received magazines subscribed for through respondent within 120 days from the date of the sale thereof upon written request for such refund by such subscribers.

26. Failing to arrange for the delivery of publications already paid for or promptly refunding money on a pro rata basis for all undelivered issues of publications for which payment has been made in advance.

27. Failing to furnish to each subscriber at the time of sale of any subscription a duplicate original of the contract, order or receipt form showing the date signed by the customer and the name of the sales representative or solicitor together with the respondent corporation's name, address and telephone number and showing on the same side of the page the exact number and name(s) of the publications being subscribed for, the number of issues and duration of each subscription and the total price for each and all such publications.

28. Failing to:

(a) Inform orally all subscribers and to provide in writing in all subscription contracts that the subscription may be cancelled for any reason by notification to respondents in writing within three business days from the date of the sale of the subscription.

(b) Refund immediately all monies to (1) subscribers who have requested subscription cancellation in writing within three business days from the sale thereof, and (2) subscribers showing that respondents' solicitations or performance were attended by or involved violation of any of the provisions of this order.

29. Furnishing, or otherwise placing in the hands of others, the means or instrumentalities by or through which the public may be misled or deceived in the manner or as to the things prohibited by this order.

*It is further ordered, That:*

(a) Respondents herein deliver, by registered mail, a copy of this decision and order to each of their present and future crew managers, and other supervisory personnel engaged in the sale or supervision of persons engaged in the sale of respondents' products or services;

(b) Respondents herein require each person so described in Paragraph (a) above to clearly and fully explain the provisions of this decision and order to all sales agents, representatives and other persons engaged in the sale of the respondents' products or services;

(c) Respondents provide each person so described in Paragraphs (a) and (b) above with a form returnable to the respondents clearly stating his intention to be bound by and to conform his business practices to the requirements of this order;

(d) Respondents inform each of their present and future crew managers, sales agents, representatives and other persons

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engaged in the sale of respondents' products or services that the respondents shall not use any third party, or the services of any third party if such third party will not agree to so file notice with the respondents and be bound by the provisions of the order.

(e) If such third party will not agree to so file notice with the respondents and be bound by the provisions of the order, the respondents shall not use such third party, or the services of such third party to solicit subscriptions;

(f) Respondents inform the persons described in Paragraph (a) and (b) above that the respondents are obligated by this order to discontinue dealing with those persons who continue on their own to deceptive acts or practices prohibited by this order;

(g) Respondents institute a program of continuing surveillance adequate to reveal whether the business operations of each said person described in Paragraphs (a) and (b) above conform to the requirements of this order;

(h) Respondents discontinue dealing with the persons so engaged, revealed by the aforesaid program of surveillance, who continue on their own the deceptive acts or practices prohibited by this order; and that

(i) Respondents upon receiving information or knowledge from any source concerning two or more bona fide complaints prohibited by this order against any of their sales agents or representatives during any one-month period will be responsible for either ending said practices or securing the termination of the employment of the offending sales agent or representative.

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

*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 complaint be, and it hereby is, dismissed as to Robert W. Lake as an individual.

Complaint

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IN THE MATTER OF

ESB, INCORPORATED, ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE  
FEDERAL TRADE COMMISSION ACT*Docket C-2147. Complaint, Feb. 14, 1972—Decision, Feb. 14, 1972*

Consent order requiring a Philadelphia, Pa., seller and distributor of battery powered lighting units to cease deceptively guaranteeing the performance of its lighting units.

## 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 ESB, Incorporated, a corporation, and Edward J. Dwyer, individually and as an officer of said 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. ESB, Incorporated, formerly known as the Electric Storage Battery Company, 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 2 Penn Center Plaza, in the city of Philadelphia, Commonwealth of Pennsylvania.

Respondent Edward J. Dwyer is an individual and an officer of the corporate respondent. He formulates, directs and controls the 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.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the advertising, offering for sale, selling and distributing of battery powered lighting units and other products to retailers for resale to the public.

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 Pennsylvania 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, respondents have made and are now making, in catalog and specification sheets in general circulation, statements and representations with respect to their guarantees.

Typical and illustrative of said statements and representations are the following:

#### GUARANTEE

Each unit shall be guaranteed by the manufacturer against defects in workmanship or materials for a period of one year.

PAR. 5. By and through the use of the above-quoted statement and representation, and others of similar import and meaning but not expressly set out herein, respondents have represented, and are now representing, directly or by implication that each of their lighting units is guaranteed without limitations or conditions for a period of one year by the manufacturer against defects in workmanship or material.

PAR. 6. In truth and in fact, each of respondents' lighting units is not guaranteed without conditions or limitations for a period of one year by the manufacturer against defects in workmanship or material.

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

PAR. 7. The use by respondents of the aforesaid false, misleading and deceptive statements and representations 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 the products offered by respondents by reason of said erroneous and mistaken belief.

PAR. 8. The aforesaid 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.

#### 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 Pro-

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tection 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 the respondents that the law has been violated as alleged in said complaint, and waivers and provisions as required by the Commission's rules; and

The Commission, having reason to believe that the respondents have violated the Federal Trade Commission Act, and having determined that complaint should issue stating its charges in that respect, hereby issues its complaint, accepts said agreement, makes the following jurisdictional findings, and enters the following order:

1. ESB Incorporated, formerly known as the Electric Storage Battery Company, 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 Penn Center Plaza, in the city of Philadelphia, Commonwealth of Pennsylvania.

Respondent Edward J. Dwyer is an officer of said corporation and his 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

*It is ordered,* That respondents ESB Incorporated, a corporation, and its officers, and Edward J. Dwyer, individually, and as officer of said corporation and respondents' agents, representatives, employees, successors and assigns, directly or through any corporate or other device, in connection with the advertising, offering for sale, sale or distribution of battery-powered lighting units, or other products, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

Representing by any means, directly or by implication that respondents' products 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 require-



ments, directly or impliedly represented, under the terms of each such guarantee.

*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 each of 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.

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IN THE MATTER OF

THE PROCTER & GAMBLE COMPANY

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

*Docket C-2148. Complaint, Feb. 14, 1972—Decision, Feb. 14, 1972*

Consent order requiring a Cincinnati, Ohio, corporation selling and distributing an edible oil designated "Crisco Oil" to cease misrepresenting in its advertising that foods fried in its product absorb less grease than foods fried in other oils, that its product is lower in calories, and using any expression which implies that respondent's oil is unique.

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 the Procter & Gamble Company, a corporation, hereinafter referred to as respondent, has 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 the Procter & Gamble Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Ohio, with its principal office and place of business located at 301 East Sixth Street, Cincinnati, Ohio.

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PAR. 2. Respondent is now, and for some time last past has been, engaged in the advertising, sale and distribution of an edible oil designated Crisco Oil which comes within the classification of a "food," as said term is defined in the Federal Trade Commission Act.

PAR. 3. Respondent causes the said product, when sold, to be transported from its place of business in the State of Ohio to purchasers thereof located in various other States of the United States and in the District of Columbia. Respondent maintains, and at all times mentioned herein has 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. 4. In the course and conduct of its said business, respondent has disseminated, and caused the dissemination of, certain advertisements concerning the said product 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 other advertising media, and by means of television broadcasts transmitted by television 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 has 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. 5. Among and typical of the statements and representations contained in said advertisements disseminated as hereinabove set forth are the following:

1. Several different video demonstrations depict four pieces of chicken frying in one cup of Crisco Oil. Typical of the accompanying audio is the following: Take an exact cup of Crisco Oil, pour it in here. Now, fry four pieces of chicken 'till they're done and then pour the oil back. And look at that—it all comes back. Well, except one tablespoon. Only one tablespoon of Crisco Oil will go into all this chicken, so don't worry about fried foods being greasy again—you try it. Fry practically grease free in Crisco Oil. Oh, \* \* \* it's high in polyunsaturates, too, you know.

2. I worry about too much fried food. All that grease. But Crisco Oil fries practically grease free.

3. *Mother*: Hey, fellas! What do you want for dinner?

*Family*: Fried chicken.

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*Mother:* Oh no, not again. They could live on fried chicken. Greasy food's such a worry. Peggy, help. You fry a lot \* \* \* don't you worry about greasy foods?

*Neighbor:* Uh uh—I'm using Crisco Oil. Fries practically grease free!

*Mother:* Practically grease free?? Oh, come on.

*Neighbor:* Crisco Oil really does. Look. Take an exact cup of Crisco Oil \* \* \* pour it in the pan \* \* \* and fry four pieces of chicken till they're done \* \* \* then re-measure to see how much Crisco Oil comes back!

*Mother:* Almost a cup's left.

*Neighbor:* Yup! Only one tablespoon of Crisco Oil went into all this chicken! The oil that's here \* \* \* (pointing to frying pan) can't be here, right? (pointing to the chicken.)

*Mother:* Mmm. It isn't greasy. Now my family can have fried chicken 'till comes out of their ears!

*Announcer:* Fry practically grease free with Crisco Oil \* \* \* the lightest leading oil. High in polyunsaturates, too.

4. The video portion of this advertisement depicts a pregnant woman with her mother. The accompanying audio is as follows:

*Mother:* Oh dear, not fried chicken.

*Woman:* Yes, let me eat.

*Mother:* Greasy food in your delicate condition.

*Woman:* Mother, this isn't greasy. It's crisp and crunchy.

*Mother:* Fried food is greasy.

*Woman:* No mother, come here. I fry practically grease free with Crisco Oil. Look, after I fried these four pieces of chicken in one cup of Crisco Oil. Watch. All the oil comes back, except one tablespoon.

*Mother:* Hmm, it isn't greasy.

*Announcer:* Get Crisco Oil. It fries practically grease free.

5. A television advertisement depicts a man frying french fried potatoes in Crisco Oil. The audio states What other oil says it can fry this grease-free, right?

PAR. 6. Through the use of said advertisements and others similar thereto not specifically set out herein, respondent has represented and is now representing directly and by implication:

1. That foods fried in Crisco Oil absorb less of the frying medium than foods fried in other edible oils;

2. That Crisco Oil has unique properties that produce a less greasy food than other edible oils;

3. That foods fried in Crisco Oil are lower in calories than foods fried in other edible oils;

4. That foods fried in Crisco Oil have less adverse health effects in a diet than foods fried in other edible oils;

5. That the remaining oil in the pan after frying chicken consists solely of Crisco Oil.

PAR. 7. In truth and in fact:

1. Foods fried in Crisco Oil do not absorb less of the frying medium than foods fried in other edible oils;

2. Crisco Oil does not possess unique properties that produce a less greasy food than other edible oils;

3. Foods fried in Crisco Oil are not lower in calories than foods fried in other edible oils;

4. Foods fried in Crisco Oil do not have less adverse health effects in a diet than foods fried in other edible oils;

5. The remaining substance in the pan after frying chicken is not solely Crisco Oil but is a combination of Crisco Oil and chicken fat.

Therefore, the statements and representations set forth in Paragraphs Five and Six were and are false, misleading and deceptive and the advertisements referred to in Paragraph Five 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.

PAR. 8. In the course and conduct of its aforesaid business, and at all times mentioned herein, respondent has been, and now is, in substantial competition, in commerce, with corporations, firms and individuals in the sale of edible oils of the same general kind and nature as that sold by respondent.

PAR. 9. The use by respondent 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 respondent's product by reason of said erroneous and mistaken belief.

PAR. 10. The aforesaid acts and practices of respondent, including the dissemination by respondent of the "false advertisements," as herein alleged, were and are all to the prejudice and injury of the public and of respondent's competitors and constituted, and now constitute, unfair methods of competition in commerce and unfair and deceptive acts and practices 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 respondent named in the caption hereof, and the respondent 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 respondent with violation of the Federal Trade Commission Act; and

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

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that 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 Procter & Gamble Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Ohio, with its principal place of business located at 301 East Sixty Street, Cincinnati, Ohio.

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

## PART I

*It is ordered,* That respondent the Procter & Gamble Company, a corporation, and its officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the offering for sale, sale or distribution of Crisco Oil or any other edible salad oil sold for household consumption and having similar composition or possessing substantially similar properties do forthwith cease and desist from directly or indirectly:

1. 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 represents directly or by implication:

(a) That foods fried in any such product absorb less of the frying medium than foods fried in other edible oils;

(b) That any such product has unique properties that produce a less greasy food than other edible oils;

(c) That the oil remaining in the pan after frying chicken consists solely of any such product; unless such representation is based on tests, studies, documentation or other data in possession of respondent prior to the time such representation was made which substantiates such representation and unless the results thereof are maintained in writing and available for inspection.

2. 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 respondent's product, in commerce, as "commerce" is defined in the Federal Trade Commission Act, which contains any of the representations prohibited in Paragraph One hereof.

#### PART II

*It is further ordered*, That respondent the Procter & Gamble Company, a corporation, and its officers, agents, representatives, and employees, directly or through any corporate or other device, in connection with the offering for sale, sale or distribution of Crisco Oil, or any other food product sold for household consumption, do forthwith cease and desist from directly or indirectly:

1. Disseminating, or causing the dissemination of any advertisement by means of the United States mails or by any means in commerce which represents that respondent's product is lower in calories than, or has less adverse health effects in the diet than, any other product, unless such representation is based on tests, studies, documentation or other data in possession of respondent prior to the time such representation was made which substantiates such representation and unless the results thereof are maintained in writing and available for inspection.

2. Dissemination, 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 respondent's product, in commerce, as "commerce" is defined in the Federal Trade Commission Act, which contains any of the representations prohibited in Paragraph One of Part II of this order, unless the affirmative requirements of said paragraph have been complied with.

#### PART III

A statement as to the qualities or attributes of a product can amount to an implied uniqueness claim if it is made in a context

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which conveys an impression of uniqueness for the product. However, statements as to the qualities or attributes of products covered by the order will not constitute a violation of this order for the sole reason that such statements could also be made with respect to similar products.

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

*It is further ordered,* That the respondent shall, within sixty (60) days after service upon them of this order, file with the Commission a written report setting forth in detail the manner and form of their compliance with this order.

## IN THE MATTER OF

## PUBLIX CIRCULATION SERVICE, INC., ET AL.

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

*Docket C-2149. Complaint, Feb. 14, 1972—Decision, Feb. 14, 1972*

Consent order requiring a Little Rock, Ark., solicitor and seller of magazine subscriptions through sales agents to cease failing to reveal all aspects of the job when recruiting prospective solicitors, misrepresenting that such solicitors will be engaged in contests for college and other awards, misrepresenting the terms and conditions of soliciting subscriptions, deceptively guaranteeing the delivery of the magazines, fostering sympathy appeals by its solicitors, failing to refund monies promptly, and failing to notify subscribers of their rights-to-cancel subscription contract, within 3 days. The respondent is also required to deliver a copy of the decision and order to its sales agents and representatives.

## 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 Publix Circulation Service, Inc., a corporation, and James H. Riley, individually and

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as an officer of said 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 Publix Circulation Service, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arkansas, with its principal office and place of business located at 9219 New Benton Highway in the city of Little Rock, State of Arkansas.

Respondent James H. Riley is an officer of the corporate respondent. He formulates, directs and controls the 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.

PAR. 2. Respondents are engaged in the sale of magazine subscriptions and other publications to the purchasing public by either of two methods which are commonly referred to as "cash subscription" and "two-payment."

Respondents enter into business arrangements with certain publishers or distributors of magazines and other publications whereby the publishers or distributors agree to accept and fill orders for designated magazines or other publications sold by respondents. The publishers or distributors generally require that the magazines or other publications be sold for a designated amount and that respondents forward an agreed upon amount to the publisher or distributor thereof.

Pursuant to such arrangements the respondents solicit and sell to the purchasing public subscriptions to such magazines.

PAR. 3. In the course and conduct of their business of selling magazine subscriptions pursuant to subscription contracts, as aforesaid, respondents have entered into contractual arrangements with publishers or distributors of magazines whereby respondents are authorized to sell certain magazine subscriptions at designated selling prices and to pay designated amounts to said publishers or distributors as payment for said subscriptions. Respondents are thereby given authority to sell subscriptions to some but not all magazines and other publications.

PAR. 4. In the course and conduct of their business, as aforesaid, respondents enter, and have entered, into agreements with individuals known as "crew managers" who in turn employ or hire "sales agents," "solicitors," or other representatives to sell said magazines.

Acting through their said crew chiefs and solicitors, respondents



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place into operation and, through various direct and indirect means and devices, control, direct, supervise, recommend and otherwise implement sale methods whereby members of the general public are contacted by door-to-door solicitations, and by means of statements, representations, acts and practices as hereinafter set forth, are induced to sign subscription contracts with respondents which provide for the purchase of magazines or other publications and payment therefor usually on a cash or two-payment basis.

Respondents also provide crew managers with credentials, sales contract forms, magazine lists and other printed materials some of which bear the name and address of the corporate respondent. Said printed materials are placed in the hands of respondents' sales solicitors for use in the solicitation of magazine subscriptions.

The subscription contracts, when signed by the subscriber, are thereafter returned by the sales solicitor and the crew manager to the respondents who place subscription orders with the appropriate publishers and distributors for magazines and other publications respondents are authorized to sell.

In the manner aforesaid, respondents, directly or indirectly, through said crew managers, control, furnish the means, instrumentalities, services and facilities for, condone, approve and accept the pecuniary benefits flowing from the acts, practices and policies hereinafter set forth, of said crew managers and sales solicitors, hereinafter collectively referred to as respondents' representatives or solicitors.

PAR. 5. In the course and conduct of their business and in the manner aforesaid, respondents through their representatives or solicitors, who travel from one area to another, solicit subscriptions for magazines in various States of the United States. Respondents transmit and receive in commerce the aforementioned printed materials used in the solicitation and sale of magazine subscriptions. The subscription contracts and money are sent by said representatives or solicitors from various states to respondents' place of business in the State of Arkansas and are then forwarded by respondents to various publishers or distributors, many of whom are located in states other than the State of Arkansas. Respondents thereby maintain, and at all times mentioned herein have maintained, a substantial course of trade in the sale of magazine subscriptions in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 6. Respondents, in the course and conduct of their business as aforesaid, have disseminated, and now disseminate or cause to be disseminated, classified advertisements in newspapers of general and

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interstate circulation and in newspapers throughout the United States and have made statements and representations respecting pay and working conditions, designed and intended to induce individuals to apply as representatives or solicitors to sell magazine subscriptions on the behalf of respondents.

Among and typical of such representations, but not all inclusive thereof, are the following:

1. Must be free to travel USA, Hawaii with guaranteed return.
2. Chaperoned group.
3. \* \* \* expense account \* \* \*
4. New car furnished.
5. \* \* \* \$500 and up monthly.

In the aforesaid manner, the respondents have represented, and are now representing directly or by implication, that:

1. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents will travel on a planned itinerary throughout the United States and to Hawaii and return.

2. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents will be chaperoned while traveling for or on behalf of respondents.

3. Respondents will pay the expenses of persons who answer respondents' advertisements and who become representatives or solicitors for respondents.

4. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents will be furnished new cars while traveling for or on the behalf of respondents.

5. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents will earn \$500 per month.

PAR. 7. In truth and in fact:

1. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents do not travel on a planned itinerary throughout the United States and to Hawaii and return.

2. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents are not chaperoned while traveling for or on the behalf of respondents.

3. Respondents do not pay the expenses of persons who answer respondents' advertisements and who become representatives or solicitors for respondents.

4. Respondents do not furnish their representatives or solicitors with new cars.

5. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents do not earn \$500 per month.

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

PAR. 8. In the course and conduct of their aforesaid business, and for the purpose of inducing the purchase of their magazine subscriptions, respondents and respondents' representatives or solicitors have represented, and now represent, directly or by implication, that:

1. Respondents are authorized to sell subscriptions for and are able to deliver or cause the delivery of all magazines for which they sell subscriptions and accept payments.

2. Respondents' representatives or solicitors are participants in a "contest" working for prizes and awards and are not solicitors working for money compensation.

3. Respondents' representatives or solicitors are employed by or for the benefit of a charitable or non-profit organization.

4. Respondents' representatives or solicitors are employed by or affiliated with programs sponsored by a government agency, the purpose of which is to provide assistance to underprivileged groups or persons.

5. Respondents' representatives or solicitors are competing for college scholarship awards.

6. Respondents' representatives or solicitors are college students working their way through school.

7. Respondents' representatives or solicitors are "bonded" and that such "bonding" insures their honesty and integrity.

8. Respondents have a bond on deposit with Central Registry which guarantees fulfillment of all magazine subscription orders sold on their official receipts.

9. Respondents guarantee the delivery of magazines for which they sell subscriptions and accept payments.

10. The money paid by the subscriber to the respondents' representative or solicitor at the time of the sale is the total cost of the subscription.

11. Magazines purchased by subscribers will be distributed to various schools and institutions as gifts or contributions.

PAR. 9. In truth and in fact:

1. Respondents are not authorized to sell subscriptions for and are not able to deliver or to cause the delivery of all magazines for which their representatives or solicitors sell subscriptions and accept payments. In many instances, respondents' representatives or solici-

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tors sell subscriptions for magazines which respondents are not authorized by the publisher or distributor thereof to sell, and consequently, respondents are unable to deliver or to cause the delivery of these magazines, for which they have accepted payments from subscribers.

2. Respondents' representatives or solicitors work for money compensation and are not participants in a "contest" working for prizes and awards. The use by respondents and their representatives or solicitors of credentials and promotional materials identifying such representatives or solicitors as participants in a contest is a spurious device which enables their representatives or solicitors to utilize a personal sympathy appeal in the sale of subscriptions.

3. Respondents' representatives or solicitors are not employed by or for the benefit of a charitable or non-profit organization.

4. Respondents' representatives or solicitors are not employed by or affiliated with programs sponsored by a government agency, the purpose of which is to provide assistance to underprivileged groups or persons.

5. Respondents' representatives or solicitors are not competing for college scholarship awards.

6. In a substantial number of instances, respondents' representatives or solicitors are not college students working their way through college.

7. Respondents' representatives or solicitors are not "bonded;" and there is no assurance for their honesty and integrity.

8. The bond which respondents have deposited with The Central Registry of the Magazine Publishers Association does not guarantee the fulfillment of each and every magazine subscription sold by respondents' representatives or solicitors.

9. Respondents do not guarantee the delivery of magazines for which they sell subscriptions and accept payments and, once the order is submitted to the publisher or distributor, no further effort is made by respondents to insure such delivery.

10. In a substantial number of instances, the money paid by the subscriber to the respondents' representative or solicitor at the time of the sale is not the total cost of the sale, and the subscriber is required to pay an additional sum of money before his subscription will be entered.

11. Magazines purchased by subscribers are not distributed to various schools and institutions as gifts or contributions.

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

PAR. 10. In the further course and conduct of their business as aforesaid, where respondents have received payment for subscriptions to magazines they are not authorized to sell and are not able to deliver or cause to be delivered, they have also, in many instances:

1. Failed to notify subscribers, after subscription orders have been received at their principal office and place of business, that said magazines cannot be delivered.

2. Required purchasers to subscribe to substitute magazines without offering them the option to receive a full refund of the money paid for the initial subscription.

3. Failed to refund to subscribers the money they have paid for subscriptions to such magazines.

4. Failed to answer, or to answer promptly, inquiries by or on behalf of subscribers concerning non-delivery of such magazines.

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

PAR. 11. In the further course and conduct of their business as aforesaid, where respondents have received payment for subscriptions to magazines they are in fact authorized to sell and are able to deliver or cause to be delivered, they have, in many instances, failed to deliver or cause to be delivered such magazines within a reasonable period of time.

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

PAR. 12. In the further course and conduct of their business as aforesaid, in instances where the respondents' representatives or solicitors have appropriated money paid by subscribers to their own use, respondents have either failed to refund to subscribers the money said subscribers have paid for subscriptions to magazines or have failed to enter the subscription as ordered by said subscribers.

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

PAR. 13. In the further course and conduct of their business as aforesaid, respondents, through their representatives and solicitors, have misrepresented, and are now misrepresenting, the cost, number of issues and duration of magazine subscriptions.

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

PAR. 14. 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 magazine subscriptions.

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PAR. 15. By and through the use of the aforesaid acts and practices, respondents place in the hands of the crew managers, sales agents, representatives and others the means and instrumentalities by and through which they may mislead and deceive the public in the manner and as to the things hereinabove alleged.

PAR. 16. The use by respondents of the aforesaid false, misleading, deceptive and unfair representations, acts 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 a substantial number of magazine subscriptions from respondents.

PAR. 17. 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 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 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 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 the 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

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

1. Respondent Publix Circulation Service, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arkansas, with its office and principal place of business located at 9219 New Benton Highway in the city of Little Rock, State of Arkansas.

Respondent James H. Riley is an officer of the corporate respondent. He formulates, directs and controls the 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

*It is ordered*, That respondents Publix Circulation Service, Inc., a corporation, and its officers and James H. Riley, individually, and as an officer of said corporation, and respondents' agents, representatives and employees, successors and assigns directly or through any corporate or other device, in connection with the advertising, offering for sale, or distribution of magazines, magazine subscriptions or other products or the sale, solicitation or acceptance of subscriptions for magazines or other publications or monies paid therefor, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing, directly or by implication, to prospective solicitors and solicitors that they will travel on a planned itinerary throughout the United States and to Hawaii and return; or misrepresenting in any manner, the travel opportunities available to their representatives or solicitors.

2. Representing, directly or by implication, to prospective solicitors and solicitors that they will be chaperoned while traveling for or on the behalf of respondents; or misrepresenting, in any manner, the supervision that respondents' solicitors will receive while traveling.

3. Representing, directly or by implication, to prospective solicitors or solicitors that respondents will pay the expenses of such solicitors unless such is the fact; or misrepresenting, in any manner, the terms or conditions of employment as a solicitor for respondents.

4. Representing, directly or by implication, to prospective solicitors and solicitors that they individually will be furnished new cars while traveling for or on the behalf of respondents, unless such is the fact.

5. Representing, directly or by implication, to prospective solicitors or solicitors that they will earn \$500 per month, or any other stated or gross amount; or representing, in any manner, the past earnings of respondents' representatives or solicitors, unless in fact the past earnings represented have actually been received by a substantial number of respondents' representatives or solicitors and accurately reflect the average earnings of such representatives or solicitors.

6. Representing, directly or by implication, to prospective solicitors and solicitors that they will serve in any capacity other than as subscription solicitors selling magazines and other publications on a door-to-door basis; or misrepresenting, in any manner, the terms, conditions, or nature of such employment, or the manner or amount of payment for such employment.

7. Failing clearly and unqualifiedly, to reveal during the course of any contact or solicitation of any prospective employee, sales agent or representative, whether directly or indirectly, or by written or printed communications, or by newspaper or periodical advertising, or person-to-person, that such prospective employee, sales agent or representative will be employed to solicit the sale of magazine subscriptions.

8. Soliciting or accepting subscriptions for magazines or other publications which respondents have no authority to sell or which respondents cannot promptly deliver or cause to be delivered.

9. Representing, directly or by implication, to subscribers that respondents' representatives or solicitors are participants in a contest working for prize awards and are not solicitors working for money compensation; or misrepresenting, in any manner, the status of their sales agents or representatives or the manner or amount of compensation they receive.

10. Representing, directly or by implication, that respondents' representatives or solicitors are employed by or for the benefit of any charitable or non-profit organization; or misrepresenting in any manner, the identity of the solicitor or of his firm or of the business they are engaged in.

11. Representing, directly or by implication, that respondents' representatives or solicitors are employed by or affiliated with



programs sponsored by a government agency, the purpose of which is to provide assistance to underprivileged groups or persons.

12. Representing, directly or by implication, that respondents' representatives or solicitors are competing for college scholarship awards.

13. Representing, directly or by implication, that respondents' representatives or solicitors are college students working their way through school, unless the representative or solicitor is enrolled in college at the time of the representation.

14. Representing, directly or by implication, that respondents' sales agents or representatives have been or are bonded or making any references to bonding, unless such sales agents or representatives have been bonded by a recognized bonding agency, and any payments made pursuant to such bonding arrangement would accrue directly to the benefit of subscribers ordering subscriptions from respondents' representatives or solicitors; or misrepresenting, in any manner, the nature, terms or conditions of any such bond.

15. Representing, directly or by implication, that respondents have a legal arrangement with any independent third party which insures the placement and fulfillment of each and every magazine subscription order unless such is the fact; or misrepresenting, in any manner, the nature, terms and conditions of any such arrangement.

16. Representing, directly or by implication, that respondents guarantee the delivery of magazines for which they sell subscriptions and accept payments, without clearly and conspicuously disclosing the terms and conditions of any such guarantee; or misrepresenting, in any manner, the terms and conditions of any guarantee.

17. Representing, directly or by implication, that the money paid by a subscriber to the respondents' representative or solicitor at the time of the sale is the total cost of the subscription in instances where the subscriber will be required to remit an additional amount in order to receive the subscription as ordered.

18. Representing, directly or by implication, that magazines purchased by subscribers will be distributed to various schools and institutions as gifts or contributions.

19. Misrepresenting the number and name(s) of publications being subscribed for, the number of issues and duration of

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each subscription and the total price for each and all such publications.

20. Utilizing any sympathy appeal to induce the purchase of subscriptions, including but not limited to: illness, disease, handicap, race, financial need, eligibility for benefit offered by respondents, or other personal status of the solicitor, past, present or future; or representing that earnings from subscription sales will benefit certain groups of persons such as students or the under-privileged, or will help charitable or civic groups, organizations or institutions.

21. Failing to answer and to answer promptly inquiries by or on behalf of subscribers regarding subscriptions placed with respondents.

22. Failing within thirty days from the date of sale of any subscription to enter each magazine subscription with publishers for magazines which respondents are authorized by the publisher or distributor thereof to sell: *Provided; however*, in those sales in which an additional payment is required, the subscription shall be entered within 14 days of the receipt of the final payment, but in no event shall any subscription be entered later than 60 days from the date of sale.

23. Failing within thirty days from the date of sale of any subscription to notify a subscriber of respondents' inability to place all or a part of a subscription and to deliver each of the magazines or other publications subscribed for; and to offer each such subscriber the option to receive a full refund of the money paid for such subscription or part thereof which respondents are unable to deliver or to substitute other publications in lieu thereof.

24. Failing within fourteen days from the receipt of notification of a subscriber's election as provided in Paragraph 24 hereof, to make the required refund or to enter the subscription with publishers, as elected by the subscriber.

25. Failing to refund to subscribers the money said subscribers have paid for subscriptions to magazines or, at the election of the subscriber, to enter the subscription as originally ordered in instances where the respondents' representatives or solicitors have appropriated such money to their own use and have failed to enter the subscriptions as ordered by said subscribers, within fourteen days of notice thereof.

26. Failing to give clear and conspicuous oral and written notice to each subscriber that upon written request said sub-

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scriber will be entitled to a refund of all monies paid if he does not receive the magazine or magazines subscribed for within 120 days of the date of the sale thereof.

27. Failing to refund all monies to subscribers who have not received magazines subscribed for through respondent within 120 days from the date of the sale thereof upon written request for such refund by such subscribers.

28. Failing to arrange for the delivery of publications already paid for or promptly refunding money on a pro rata basis for all undelivered issues of publications for which payment has been made in advance.

29. Failing to furnish to each subscriber at the time of sale of any subscription a duplicate original of the contract, order or receipt form showing the date signed by the customer and the name of the sales representative or solicitor together with the respondent corporation's name, address and telephone number and showing on the same side of the page the exact number and name(s) of the publications being subscribed for, the number of issues and duration of each subscription and the total price for each and all such publications.

30. Failing to:

(a) Inform orally all subscribers and to provide in writing in all subscription contracts that the subscription may be cancelled for any reason by notification to respondents in writing within three business days from the date of the sale of the subscription.

(b) Refund immediately all monies to (1) subscribers who have requested subscription cancellation in writing within three business days from the sale thereof, and (2) subscribers showing that respondents' solicitations or performance were attended by or involved violation of any of the provisions of this order.

31. Furnishing, or otherwise placing in the hands of others, the means or instrumentalities by or through which the public may be misled or deceived in the manner or as to the things prohibited by this order.

*It is further ordered, That:*

(a) Respondents herein deliver, by registered mail, a copy of this decision and order to each of their present and future crew managers, and other supervisory personnel engaged in the sale or supervision of persons engaged in the sale of respondents products or services;

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(b) Respondents herein require each person so described in Paragraph (a) above to clearly and fully explain the provisions of this decision and order to all sales agents, representatives and other persons engaged in the sale of the respondents' products or services;

(c) Respondents provide each person so described in Paragraphs (a) and (b) above with a form returnable to the respondents clearly stating his intention to be bound by and to conform his business practices to the requirements of this order;

(d) Respondents inform each of their present and future crew managers, sales agents, representatives and other persons engaged in the sale of respondents' products or services that the respondents shall not use any third party, or the services of any third party if such third party will not agree to so file notice with the respondents and be bound by the provisions of the order.

(e) If such third party will not agree to so file notice with the respondents and be bound by the provisions of the order, the respondents shall not use such third party, or the services of such third party to solicit subscriptions;

(f) Respondents inform the persons described in Paragraph (a) and (b) above that the respondents are obligated by this order to discontinue dealing with those persons who continue on their own the deceptive acts or practices prohibited by this order;

(g) Respondents institute a program of continuing surveillance adequate to reveal whether the business operations of each said person described in Paragraphs (a) and (b) above conform to the requirements of this order;

(h) Respondents discontinue dealing with the persons so engaged, revealed by the aforesaid program of surveillance, who continue on their own the deceptive acts or practices prohibited by this order; and that

(i) Respondents upon receiving information or knowledge from any source concerning two or more bona fide complaints prohibited by this order against any of their sales agents or representatives during any one-month period will be responsible for either ending said practices or securing the termination of the employment of the offending sales agent or representative.

*It is further ordered.* That respondents herein shall notify the Commission at least 30 days prior to any proposed change in the structure of the corporate respondent such as dissolution, assignment

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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 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 respondent corporation shall forthwith distribute a copy of this order to each of its operating divisions.

## IN THE MATTER OF

## SUBSCRIPTION BUREAU LIMITED, ET AL.

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

*Docket C-2150. Complaint, Feb. 14, 1972—Decision, Feb. 14, 1972*

Consent order requiring a Fairfax, Va., solicitor and seller of magazine subscriptions through sales agents to cease failing to reveal all aspects of the job when recruiting prospective solicitors, misrepresenting that such solicitors will be engaged in contests for college and other awards, misrepresenting the terms and conditions of soliciting subscriptions, deceptively guaranteeing the delivery of the magazines, fostering sympathy appeals by its solicitors, failing to refund monies promptly, and failing to notify subscribers of their rights to cancel subscription contract within 3 days. The respondent is also required to deliver a copy of the decision and order to its sales agents and representatives.

## 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 Subscription Bureau Limited, a corporation, and John Sellman, James Bright, Jack S. Lay and Geraldine M. Sellman, individually and as officers of said 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 Subscription Bureau Limited, is a corporation organized, existing and doing business under and by

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virtue of the laws of the State of Delaware, with its principal office and place of business located at 10560 Main Street, in the city of Fairfax, State of Virginia.

Respondents John Sellman, James Bright, Jack S. Lay and Geraldine M. Sellman are officers of the corporate respondent. They formulate, direct and control the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. Their address is the same as that of the corporate respondent.

PAR. 2. Respondents are engaged in the sale of magazine subscriptions and other publications to the purchasing public by either of two methods which are commonly referred to as "cash subscription" and "two-payment."

Respondents enter into business arrangements with certain publishers or distributors of magazines and other publications whereby the publishers or distributors agree to accept and fill orders for designated magazines or other publications sold by respondents. The publishers or distributors generally require that the magazines or other publications be sold for a designated amount and that respondents forward an agreed upon amount to the publisher or distributor thereof.

Pursuant to such arrangements the respondents solicit and sell to the purchasing public subscriptions to such magazines.

PAR. 3. In the course and conduct of their business of selling magazine subscriptions pursuant to subscription contracts, as aforesaid, respondents have entered into contractual arrangements with publishers or distributors of magazines whereby respondents are authorized to sell certain magazine subscriptions at designated selling prices and to pay designated amounts to said publishers or distributors as payment for said subscriptions. Respondents are thereby given authority to sell subscriptions to some but not all magazines and other publications.

PAR. 4. In the course and conduct of their business, as aforesaid, respondents enter, and have entered, into agreements with individuals known as "crew managers" who in turn employ or hire "sales agents," "solicitors," or other representatives to sell said magazines.

Acting through their said crew chiefs and solicitors, respondents place into operation and, through various direct and indirect means and devices, control, direct, supervise, recommend and otherwise implement sale methods whereby members of the general public are contacted by door-to-door solicitations, and by means of statements, representations, acts and practices as hereinafter set forth, are induced to sign subscription contracts with respondents which pro-

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vide for the purchase of magazines or other publications and payment therefor usually on a cash or two-payment basis.

Respondents also provide crew managers with credentials, sales contract forms, magazine lists and other printed materials some of which bear the name and address of the corporate respondent. Said printed materials are placed in the hands of respondents' sales solicitors for use in the solicitation of magazine subscriptions.

The subscription contracts, when signed by the subscriber, are thereafter returned by the sales solicitor and the crew manager to the respondents who place subscription orders with the appropriate publishers and distributors for magazines and other publications respondents are authorized to sell.

In the manner aforesaid, respondents, directly or indirectly, through said crew managers control, furnish the means, instrumentalities, services and facilities for, condone, approve and accept the pecuniary benefits flowing from the acts, practices and policies hereinafter set forth, of said crew managers and sales solicitors, hereinafter collectively referred to as respondents' representatives or solicitors.

PAR. 5. In the course and conduct of their business and in the manner aforesaid, respondents through their representatives or solicitors, who travel from one area to another, solicit subscriptions for magazines in various States of the United States. Respondents transmit and receive in commerce the aforementioned printed materials used in the solicitation and sale of magazine subscriptions. The subscription contracts and money are sent by said representatives or solicitors from various states to respondents' place of business in the State of Virginia and are then forwarded by respondents to various publishers or distributors, many of whom are located in states other than the State of Virginia. Respondents thereby maintain, and at all times mentioned herein have maintained, a substantial course of trade in the sale of magazine subscriptions in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 6. Respondents, in the course and conduct of their business as aforesaid, have disseminated, and now disseminate or cause to be disseminated, classified advertisements in newspapers of general and interstate circulation and in newspapers throughout the United States and have made statements and representations respecting pay and working conditions, designed and intended to induce individuals to apply as representatives or solicitors to sell magazine subscriptions on the behalf of respondents.

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Among and typical of such representations, but not all inclusive thereof, are the following:

1. \* \* \* free to travel Miami, Las Vegas & major resort areas.
2. Transportation and expense account furnished.
3. Earn over \$400 a month.
4. \* \* \* chaperoned groups.
5. \* \* \* travel representatives.

In the aforesaid manner, the respondents have represented, and are now representing directly or by implication, that:

1. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents will travel on a planned itinerary to various large cities and resort areas throughout the United States, including Miami and Las Vegas.
2. Respondents will pay the expenses of and furnish all transportation for persons who answer respondents' advertisements and who become representatives or solicitors for respondents.
3. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents will earn more than \$400 per month.
4. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents will be chaperoned while traveling for or on the behalf of respondents.
5. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents will be employed as "travel representatives."

PAR. 7. In truth and in fact:

1. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents do not travel on a planned itinerary to various large cities and resort areas throughout the United States, including Miami and Las Vegas.
2. Respondents do not pay the expenses of and furnish all transportation for persons who answer respondents' advertisements and who become representatives or solicitors for respondents.
3. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents do not earn more than \$400 per month.
4. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents are not chaperoned while traveling for or on the behalf of respondents.
5. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents are not employed as "travel representatives" but rather are employed to sell maga-



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zine subscriptions on a door-to-door basis for and on behalf of respondents.

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

PAR. 8. In the course and conduct of their aforesaid business, and for the purpose of inducing the purchase of their magazine subscriptions, respondents and respondents' representatives or solicitors have represented, and now represent, directly or by implication, that:

1. Respondents are authorized to sell subscriptions for and are able to deliver or cause the delivery of all magazines for which they sell subscriptions and accept payments.

2. Respondents' representatives or solicitors are participants in a "contest" working for prizes and awards and are not solicitors working for money compensation.

3. Respondents' representatives or solicitors are employed by or for the benefit of a charitable or non-profit organization.

4. Respondents' representatives or solicitors are employed by or affiliated with programs sponsored by a government agency, the purpose of which is to provide assistance to underprivileged groups or persons.

5. Respondents' representatives or solicitors are competing for college scholarship awards.

6. Respondents' representatives or solicitors are college students working their way through school.

7. Respondents' representatives or solicitors are "bonded" and that such "bonding" insures their honesty and integrity.

8. Respondents have a bond on deposit with Central Registry which guarantees fulfillment of all magazine subscription orders sold on their official receipts.

9. Respondents guarantee the delivery of magazines for which they sell subscriptions and accept payments.

10. The money paid by the subscriber to the respondents' representative or solicitor at the time of the sale is the total cost of the subscription.

11. Magazines purchased by subscribers will be distributed to various schools and institutions as gifts or contributions.

PAR. 9. In truth and in fact:

1. Respondents are not authorized to sell subscriptions for and are not able to deliver or to cause the delivery of all magazines for which their representatives or solicitors sell subscriptions and accept payments. In many instances, respondents' representatives or solicitors sell subscriptions for magazines, which respondents are not

authorized by the publisher or distributor thereof to sell, and consequently, respondents are unable to deliver or to cause the delivery of these magazines, for which they have accepted payments from subscribers.

2. Respondents' representatives or solicitors work for money compensation, and are not participants in a "contest" working for prizes and awards. The use by respondents and their representatives or solicitors of credentials and promotional materials identifying such representatives or solicitors as participants in a contest is a spurious device which enables their representatives or solicitors to utilize a personal sympathy appeal in the sale of subscriptions.

3. Respondents' representatives or solicitors are not employed by or for the benefit of a charitable or non-profit organization.

4. Respondents' representatives or solicitors are not employed by or affiliated with programs sponsored by a government agency, the purpose of which is to provide assistance to underprivileged groups or persons.

5. Respondents' representatives or solicitors are not competing for college scholarship awards.

6. In a substantial number of instances, respondents' representatives or solicitors are not college students working their way through college.

7. Respondents' representatives or solicitors are not "bonded;" and there is no assurance for their honesty and integrity.

8. The bond which respondents have deposited with The Central Registry of the Magazine Publishers Association does not guarantee the fulfillment of all magazine subscriptions sold by respondents' representatives or solicitors.

9. Respondents do not guarantee the delivery of magazines for which they sell subscriptions and accept payments and, once the order is submitted to the publisher or distributor, no further effort is made by respondents to insure such delivery.

10. In a substantial number of instances, the money paid by the subscriber to the respondents' representative or solicitor at the time of the sale is not the total cost of the sale, and the subscriber is required to pay an additional sum of money before his subscription will be entered.

11. Magazines purchased by subscribers are not distributed to various schools and institutions as gifts or contributions.

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

PAR. 10. In the further course and conduct of their business as aforesaid, where respondents have received payment for subscriptions to magazines they are not authorized to sell and are not able to deliver or cause to be delivered, they have also, in a substantial number of instances:

1. Failed to notify subscribers, after subscription orders have been received at their principal office and place of business, that said magazines cannot be delivered.

2. Required purchasers to subscribe to substitute magazines without offering them the option to receive a full refund of the money paid for the initial subscription.

3. Failed to refund to subscribers the money they have paid for subscriptions to such magazines.

4. Failed to answer, or to answer promptly, inquiries by or on behalf of subscribers concerning non-delivery of such magazines.

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

PAR. 11. In the further course and conduct of their business as aforesaid, where respondents have received payment for subscriptions to magazines they are in fact authorized to sell and are able to deliver or cause to be delivered, they have, in many instances, failed to deliver or cause to be delivered such magazines within a reasonable period of time.

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

PAR. 12. In the further course and conduct of their business as aforesaid, in instances where the respondents' representatives or solicitors have appropriated money paid by subscribers to their own use, respondents have either failed to refund to subscribers the money said subscribers have paid for subscriptions to magazines or have failed to enter the subscription as ordered by said subscribers.

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

PAR. 13. In the further course and conduct of their business as aforesaid, respondents, through their representatives and solicitors, have misrepresented, and are now misrepresenting, the cost, number of issues and duration of magazine subscriptions.

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

PAR. 14. 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 magazine subscriptions.

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PAR. 15. By and through the use of the aforesaid acts and practices, respondents place in the hands of the crew managers, sales agents, representatives and others the means and instrumentalities by and through which they may mislead and deceive the public in the manner and as to the things hereinabove alleged.

PAR. 16. The use by respondents of the aforesaid false, misleading, deceptive and unfair representations, acts 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 a substantial number of magazine subscriptions from respondents.

PAR. 17. 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 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 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 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 the 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

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## Decision and Order

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 Subscription Bureau Limited 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 10560 Main Street, in the city of Fairfax, State of Virginia.

Respondents John Sellman, and James Bright, are officers of the corporate respondent. They formulate, direct and control the acts and practices of the corporate respondent. Their 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 respondent, and the proceeding is in the public interest.

## ORDER

*It is ordered,* That respondents Subscription Bureau Limited, a corporation, and its officers, and John Sellman, James Bright, individually and as officers of said corporation, and respondents' agents, representatives, employees, successors and assigns, directly or through any corporate or other device, in connection with the advertising, offering for sale, or distribution of magazines, magazine subscriptions or other products or the sale, solicitation or acceptance of subscriptions for magazines or other publications of monies paid therefor, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing, directly or by implication, to prospective solicitors and solicitors that they will travel on a planned itinerary to various large cities and resort areas throughout the United States; or misrepresenting in any manner, the travel opportunities available to their representatives or solicitors.

2. Representing, directly or by implication, to prospective solicitors or solicitors that respondents will pay the expenses or furnish all transportation of such solicitors; or misrepresenting, in any manner, the terms or conditions of employment as a solicitor for respondents.

3. Representing, directly or by implication, to prospective solicitors or solicitors that they will earn \$400 per month, or any other stated or gross amount; or representing, in any manner, the past earnings of respondents' representatives or solicitors, unless in fact the past earnings represented have actually been received by a substantial number of respondents' represent-

atives or solicitors and accurately reflect the average earnings of such representatives or solicitors.

4. Representing, directly or by implication, to prospective solicitors and solicitors that they will be chaperoned while traveling for or on the behalf of respondents; or misrepresenting, in any manner, the supervision that respondents' solicitors will receive while traveling.

5. Representing, directly or by implication, to prospective solicitors and solicitors that they will be employed to work as "travel representatives;" or misrepresenting, in any manner, the identity or type of business conducted by respondents.

6. Representing, directly or by implication, to prospective solicitors and solicitors that they will serve in any capacity other than as magazine subscription solicitors selling magazines on a door-to-door basis; or misrepresenting, in any manner, the terms, conditions, or nature of such employment, or the manner or amount of payment for such employment.

7. Failing clearly and unqualifiedly, to reveal during the course of any contact or solicitation of any prospective employee, sales agent or representative, whether directly or indirectly, or by written or printed communications, or by newspaper or periodical advertising, or person-to-person, that such prospective employee, sales agent or representative will be employed to solicit the sale of magazine subscriptions.

8. Soliciting or accepting subscriptions for magazines or other publications which respondents have no authority to sell or which respondents cannot promptly deliver or cause to be delivered.

9. Representing, directly or by implication, that respondents' representatives or solicitors are participants in a contest working for prize awards and are not solicitors working for money compensation; or misrepresenting, in any manner, the status of their sales agents or representatives or the manner or amount of compensation they receive.

10. Representing, directly or by implication, that respondents' representatives or solicitors are employed by or for the benefit of any charitable or non-profit organization; or misrepresenting in any manner, the identity of the solicitor or of his firm or of the business they are engaged in.

11. Representing, directly or by implication, that respondents' representatives or solicitors are employed by or affiliated with programs sponsored by a government agency the purpose of

which is to provide assistance to underprivileged groups or persons.

12. Representing, directly or by implication, that respondents' representatives or solicitors are competing for college scholarship awards.

13. Representing, directly or by implication, that respondents' representatives or solicitors are college students working their way through school, unless such is the fact.

14. Representing, directly or by implication, that respondents' sales agents or representatives have been or are bonded or making any references to bonding, unless such sales agents or representatives have been bonded by a recognized bonding agency, and any payments made pursuant to such bonding arrangement would accrue directly to the benefit of subscribers ordering subscriptions from respondents' representatives or solicitors; or misrepresenting, in any manner, the nature, terms or conditions of any such bond.

15. Representing, directly or by implication, that respondents have a legal arrangement with any independent third party which insures the placement and fulfillment of each and every magazine subscription order; or misrepresenting, in any manner, the nature, terms and conditions of any such arrangement.

16. Representing, directly or by implication, that respondents guarantee the delivery of magazines for which they sell subscriptions and accept payments, without clearly and conspicuously disclosing the terms and conditions of any such guarantee; or misrepresenting, in any manner, the terms and conditions of any guarantee.

17. Representing, directly or by implication, that the money paid by a subscriber to the respondents' representative or solicitor at the time of the sale is the total cost of the subscription in instances where the subscriber will be required to remit an additional amount in order to receive the subscription as ordered.

18. Representing, directly or by implication, that magazines purchased by subscribers will be distributed to various schools and institutions as gifts or contributions.

19. Misrepresenting the number and name(s) of publications being subscribed for, the number of issues and duration of each subscription and the total price for each and all such publications.

20. Utilizing any sympathy appeal to induce the purchase of subscriptions, including but not limited to: illness, disease,

handicap, race, financial need, eligibility for benefit offered by respondents, or other personal status of the solicitor, past, present or future; or representing that earnings from subscription sales will benefit certain groups of persons such as students or the under-privileged, or will help charitable or civic groups, organizations or institutions.

21. Failing to answer and to answer promptly inquiries by or on behalf of subscribers regarding subscriptions placed with respondents.

22. Failing within thirty days from the date of sale of any subscription to enter each magazine subscription with publishers for magazines which respondents are authorized by the publisher or distributor thereof to sell; *Provided; however*, in those sales in which an additional payment is required, the subscription shall be entered within 14 days of the receipt of the final payment, but in no event shall any subscription be entered later than 60 days from the date of sale.

23. Failing within thirty days from the date of sale of any subscription to notify a subscriber of respondents' inability to place all or a part of a subscription and to deliver each of the magazines or other publications subscribed for; and to offer each such subscriber the option to receive a full refund of the money paid for such subscription or part thereof which respondents are unable to deliver or to substitute other publications in lieu thereof.

24. Failing within fourteen days from the receipt of notification of a subscriber's election as provided in Paragraph 23 hereof, to make the required refund or to enter the subscription with publishers, as elected by the subscriber.

25. Failing to refund to subscribers the money said subscribers have paid for subscriptions to magazines or, at the election of the subscriber, to enter the subscription as originally ordered in instances where the respondents' representatives or solicitors have appropriated such money to their own use and have failed to enter the subscriptions as ordered by said subscribers, within fourteen days of verified notice thereof.

26. Failing to give clear and conspicuous oral and written notice to each subscriber that upon written request said subscriber will be entitled to a refund of all monies paid if he does not receive the magazine or magazines subscribed for within 120 days of the date of the sale thereof.



## Decision and Order

27. Failing to refund all monies to subscribers who have not received magazines subscribed for through respondent within 120 days from the date of the sale thereof upon written request for such refund by such subscribers.

28. Failing to arrange for the delivery of publications already paid for or promptly refunding money on a pro rata basis for all undelivered issues of publications for which payment has been made in advance.

29. Failing to furnish to each subscriber at the time of sale of any subscription a duplicate original of the contract, order or receipt form showing the date signed by the customer and the name of the sales representative or solicitor together with the respondent corporation's name, address and telephone number and showing on the same side of the page the exact number and name(s) of the publications being subscribed for, the number of issues and duration of each subscription and the total price for each and all such publications.

30. Failing to:

(a) Inform orally all subscribers and to provide in writing in all subscription contracts that the subscription may be cancelled for any reason by notification to respondents in writing within three business days from the date of the sale of the subscription.

(b) Refund immediately all monies to (1) subscribers who have requested subscription cancellation in writing within three business days from the sale thereof, and (2) subscribers showing that respondents' solicitations or performance were attended by or involved violation of any of the provisions of this order.

31. Furnishing, or otherwise placing in the hands of others, the means or instrumentalities by or through which the public may be misled or deceived in the manner or as to the things prohibited by this order.

*It is further ordered, That:*

(a) Respondents herein deliver, by registered mail, a copy of this decision and order to each of their present and future crew managers, and other supervisory personnel engaged in the sale or supervision of persons engaged in the sale of respondents products or services;

(b) Respondents herein require each person so described in Paragraph (a) above to clearly and fully explain the provisions of this decision and order to all sales agents, representatives and

other persons engaged in the sale of the respondents' products or services;

(c) Respondents provide each person so described in Paragraphs (a) and (b) above with a form returnable to the respondents clearly stating his intention to be bound by and to conform his business practices to the requirements of this order;

(d) Respondents inform each of their present and future crew managers, sales agents, representatives and other persons engaged in the sale of respondents' products or services that the respondents shall not use any third party, or the services of any third party if such third party will not agree to so file notice with the respondents and be bound by the provisions of the order.

(e) If such third party will not agree to so file notice with the respondents and be bound by the provisions of the order, the respondents shall not use such third party, or the services of such third party to solicit subscriptions;

(f) Respondents inform the persons described in Paragraphs (a) and (b) above that the respondents are obligated by this order to discontinue dealing with those persons who continue on their own the deceptive acts or practices prohibited by this order;

(g) Respondents institute a program of continuing surveillance adequate to reveal whether the business operations of each said person described in Paragraphs (a) and (b) above conform to the requirements of this order;

(h) Respondents discontinue dealing with the persons so engaged, revealed by the aforesaid program of surveillance, who continue on their own the deceptive acts or practices prohibited by this order; and that

(i) Respondents upon receiving information or knowledge from any source concerning two or more bona fide complaints prohibited by this order against any of their sales agents or representatives during any one-month period will be responsible for either ending said practices or securing the termination of the employment of the offending sales agent or representative.

*It is further ordered.* That respondents herein shall notify the Commission at least 30 days prior to any proposed change in the structure of 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

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## Complaint

respondent corporation which may affect compliance obligations arising out of this 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.

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

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 IN THE MATTER OF

## DIXIE READERS' SERVICE, INC., ET AL.

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

*Docket C-2151. Complaint, Feb. 14, 1972—Decision, Feb. 14, 1972*

Consent order requiring a Jackson, Miss., solicitor and seller of magazine subscriptions through sales agents to cease failing to reveal all aspects of the job when recruiting prospective solicitors, misrepresenting that such solicitors will be engaged in contests for college and other awards, misrepresenting the terms and conditions of soliciting subscriptions, deceptively guaranteeing the delivery of the magazines, fostering sympathy appeals by its solicitors, failing to refund monies promptly, and failing to notify subscribers of their rights-to-cancel subscription contract within 3 days. The respondent is also required to deliver a copy of the decision and order to its sales agents and representatives.

## 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 Dixie Readers' Service, Inc., a corporation, and Quinton Gibson, individually and as an officer of said 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. Respondents Dixie Readers' Service, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Mississippi, with its principal office and place of business located at 3032 Terry Road, in the city of Jackson, State of Mississippi.