

business or employment and of his affiliation with a new business or employment. Such notice shall include respondent's current business address and a statement as to the nature of the business or employment in which he is engaged as well as a description of his duties and responsibilities.

*It is further ordered*, That the 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  
NEW ORLEANS MEATS, INC., doing business as HUTCHESON  
MEATS, ET AL.  
CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATIONS  
OF THE FEDERAL TRADE COMMISSION ACT, SECS. 5 & 12, AND THE  
TRUTH IN LENDING ACT

*Docket C-2496. Complaint, Mar. 20, 1974—Decision, Mar. 20, 1974*

Consent order requiring a Kenner, La., seller and distributor of beef and other meat products, among other things to cease using bait advertisements; misrepresenting the price, quality, and quantity of its products; and violating the Truth in Lending Act by failing to disclose to consumers, in connection with the extension of consumer credit, such information as required by Regulation Z of the said Act.

*Appearances*

For the Commission: *Creighton Chandler*.

For the respondents: *Harvey G. Gleason*, New Orleans, La.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and of the Truth in Lending Act and the implementing regulation promulgated thereunder, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that New Orleans Meats, Inc., a corporation, doing business as Hutcheson Meats, and Robert E. Brannan, individually and as officer of said corporation, hereinafter sometimes referred to as respondents, have violated the provisions of said Acts, and the implementing regulation promulgated under the Truth in Lending Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent New Orleans Meats, Inc., also doing

business as Hutcheson Meats is a corporation organized existing and doing business under and by virtue of the laws of the State of Louisiana, with its principal office and place of business located at 1636 Airline Highway, Kenner, La.

Respondent Robert E. Brannan, is an officer of the corporate respondent. He formulates, directs and controls the acts and practices of the corporate respondent including acts and practices hereinafter set forth. His address is the same as that of the Corporate respondent.

PAR. 2. Respondents are now and for some time last past have been engaged in the advertising, offering for sale, sale and distribution of beef and other meat products which come within the classification of food, as the term "food" is defined in the Federal Trade Commission Act, to members of the purchasing public.

#### COUNT I

Alleging violations of Section 5 and 12 of the Federal Trade Commission Act, the charges of Paragraphs One and Two hereof are incorporated by reference herein as set forth verbatim.

PAR. 3. In the course and conduct of their aforesaid business, respondents have disseminated and caused the dissemination of certain advertisements in commerce, as "commerce" is defined in the Federal Trade Commission Act, including advertisements in daily newspapers of general circulation, for the purpose of inducing, and which are likely to induce, directly or indirectly, the purchase of food, as the term "food" is defined in the Federal Trade Commission Act, and have disseminated and caused the dissemination of advertisements as aforesaid, for the purpose of inducing, and which are likely to induce, directly or indirectly, the purchase of food in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their business, and at all times mentioned herein, respondents have been in substantial competition, in commerce, with firms and individuals in the sale of beef and other meat of the same general kind and nature.

PAR. 5. Typical but not all inconclusive of the statements appearing in the newspaper disseminated as aforesaid are the following:

SAVE LIKE NEVER BEFORE  
PHONE ANYTIME TO OPEN ACCOUNT

3 Bundles to choose from as low as \$6.40 per week for 17 weeks—same as cash—no finance or other charges added on approved credit

Bundle #1 U.S.D.A. INSPTD. RIB & CHUCK Consist of

Club Steak	Minute Steaks
Swiss Steak	Bar-B-Que Ribs
Delmonico Steak	Chuck Roasts
Prime Rib Steak	Pot Roasts

1421 Complaint  
 Bar-B-Que Steak Ground Beef \$6.49 PER WEEK  
 10 Lbs. Chicken 5 Lbs Pork FOR 17 WEEKS  
 EXAMPLE ONLY: 175 Lbs at 63¢ lb. \$110.95  
 Avg. Wt. 175-225 lbs.

Bundle #2 U.S.D.A. INSPTD. LOIN & RIB Consists of

Club Steak T Bone Steak  
 Rib Steak Sirloin Steak  
 Delmonico Steak Filet  
 Porterhouse Steak Sirloin Tip  
 Rib Roast Roast \$7.30 PER WEEK  
 Minute Steaks 10-12% Ground Beef FOR 17 WEEKS  
 EXAMPLE ONLY: 180 Lbs. at 69¢ lb. \$124.20  
 Avg. Wts. 170-225 lbs.

Bundle #3 U.S.D.A. INSPTD. LOIN & ROUND Consists of

T-Bone Steak Sirloin Tip  
 Round Steak Roast  
 Porterhouse Steak Minute Steaks  
 10-12% Ground Steak Rump Roast  
 Eye Roast \$7.83 PER WEEK  
 Round Roast FOR 17 WEEKS  
 EXAMPLE ONLY: 185 Lbs. at 72¢ lb. \$133.20  
 Avg. Wts. 175-225 lbs.

U.S.D.A. CHOICE TENDER AND DELICIOUS BEEF SIDES

EXAMPLE ONLY: 300 LBS. AT 71¢ \$213.00 ONLY \$12.53 PER WEEK FOR 17 WEEKS, SAME AS CASH ON APPROVED CREDIT. 71¢ Lb.

AVG. WT. 300 to 400 LBS.

U.S.D.A. PRIME BEEF SIDES

EXAMPLE ONLY: 300 LBS. AT 77¢ \$231.00 ONLY \$13.59 PER WEEK FOR 17 WEEKS, SAME AS CASH ON APPROVED CREDIT. 77¢ Lb.

ALL MEAT SOLD HANGING WEIGHT & SUBJECT TO CUTTING & TRIMMING LOSS

PAR. 6. By and through the use of the aforesaid statements, and others of similar import and meaning not specifically set forth herein, respondents have represented directly or by implication that:

1. Offers set forth in said advertisements are bona fide offers to sell products of the kind therein described at the prices stated therein.
2. The advertised meat is high quality meat.
3. Meat advertised consists entirely or primarily of high quality cuts of meat including steaks.
4. Persons purchasing meat from respondents at a stated price per week or month are paying a significantly lower total price for meat than the price they had been paying.
5. Purchasers may arrange to make deferred payments for their purchases directly to respondents' retail store, and no interest and/or carrying charges will be made on such deferred payment obligation.

## PAR. 7. In truth and in fact:

1. The offers set forth in said advertisements, and other offers not set forth in detail herein, were not, and are not, bona fide offers to sell meat products at the advertised price, but, to the contrary were made in some instances to induce prospective purchasers to visit respondents' store and place of business for the purpose of purchasing meats other than the advertised meats. When prospective purchasers in response to said advertisements, attempt to purchase advertised beef, respondents and respondents' employees inform them that the advertised prices refer only to meat of low grade and quality, said meat being frequently below grade and quality of meat graded "U.S. Good" by the United States Department of Agriculture. Prospective purchasers are further informed that the said advertised meat because of its low grade and quality is subject to excessive weight loss in cutting and trimming. Respondents and their salesmen frequently display fat and unsightly beef as the advertised meat, disparaging it in a manner calculated to discourage the purchase thereof, and attempt to, and frequently do, sell much higher priced meats.

2. Persons who succeed in purchasing advertised beef products frequently find that their packaged orders contain ground beef in excess of 12% (per cent) of the total meat received.

3. Purchasers learn, contrary to respondents' advertising that payments on their installment contracts must be made to one of several finance companies with whom such contracts are placed by respondents for collection.

4. The stated prices per week do not represent a significant saving to prospective purchasers over the price of similar meat available at other retail outlets to such purchasers.

PAR. 8. Respondents by their advertisements disseminated as aforesaid have represented, and now represent, directly and by implication, and by failure to disclose the average weight loss in the meat purchased due to cutting, dressing and trimming that beef halves and hindquarters advertised will weigh approximately their advertised and/or hanging weight when cut and trimmed, and/or that other meat purchases when ready for home freezer storage will equal or approximate their total purchase weight.

Said representations were, and are contrary to the fact as beef halves, and other beef carcass sections, are sold by the pound at their carcass or uncut weight. The cutting, trimming and removal of fat, bone and waste materials greatly reduces the total weight, and a meat order when cut, trimmed and ready for home freezer storage is not equal to, nor does it approximate the total weight of said meat at the time of purchase.

Therefore, the advertisements referred to in Paragraphs Five, Six and Eight were and are misleading in material respects and have constituted, and constitute "false advertisements" as that term is defined in the Federal Trade Commission Act, and the representations referred to in Paragraphs Five, Six and Eight were and are, false, misleading and deceptive.

PAR. 9. 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 the aforesaid products, including higher priced products than those advertised by reason of said erroneous and mistaken belief.

PAR. 10. The aforesaid acts and practices of respondents, as herein alleged, including the dissemination by respondents of false advertisements as aforesaid, 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 and unfair and deceptive acts and practices in commerce in violation of Sections 5 and 12 of the Federal Trade Commission Act.

#### COUNT II

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

PAR. 11. Subsequent to July 1, 1969 in the ordinary course and conduct of their business as aforesaid, respondents arrange 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. Respondents regularly place, and for some time last past have placed, for publication in newspapers of general circulation advertisements to aid, promote, and assist credit sales, as "credit sale" is defined in the aforesaid Regulation Z.

By and through the use of certain of said advertisements respondents have represented the amount of an installment payment, the number of installments, and the period of repayment without also disclosing the following items in terminology prescribed under Section 226.8 of Regulation Z, as required by Section 226.10(d)(2) of Regulation Z:

1. The cash price,
2. The amount of the downpayment required or that no down payment is required;

3. The amount of the finance charge expressed as an annual percentage rate; and

4. The deferred payment price.

PAR. 12. Pursuant to Section 103(q) of the Truth in Lending Act, respondents' aforesaid failure to comply with the provisions of Regulation Z constitutes a violation 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 respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent New Orleans Meats, Inc., doing business as Hutcheson Meats, is a corporation organized, existing and doing business under and by virtue of the laws of the State of Louisiana, with its principal office and place of business located at 1636 Airline Highway, city of Kenner, State of Louisiana.

Respondent Robert E. Brannan, is an officer of said corporation. He formulates, directs and controls the policies, acts and practices of said corporation, and his principal office and place of business is located at the above-stated address.

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

## ORDER

*It is ordered,* That respondent New Orleans Meats, Inc., a corporation, doing business as Hutcheson Meats, its successors and assigns, its officers and Robert E. Brannan, individually and as an officer of said corporation, respondents' agents, representatives, salesmen and employees, directly or through any corporation, subsidiary, division or other device, in connection with the offering for sale, sale or distribution of meat or other food products, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Disseminating, or causing the dissemination of, any advertisement, or utilizing any sales presentation, which represents directly or by implication:

(a) That any products are offered for sale, when the purpose of such representation is not to sell the offered products, but to obtain prospects for the sale of other products at higher prices.

(b) That any product is offered for sale when such offer is not a bona fide offer to sell such product.

(c) That any meat offered for sale is high quality meat, which in fact is either ungraded or below the grades of "Prime" "Choice" and "Good," or which is yield grade 5 of the quality grade.

(d) That the meat a purchaser will receive or take home, when untrimmed beef sides, hindquarters, forequarters, or other untrimmed pieces, "Bundles," or "Packs" are sold, will consist, after cutting, dressing and trimming, entirely or primarily of steaks, or other high quality cuts, unless such is the fact.

2. Disseminating, or causing the dissemination of, any advertisement, or utilizing any sales presentation, which:

(a) Fails to disclose clearly, without ambiguity, and with prominence:

(1) That untrimmed beef sides, hindquarters, forequarters, or other untrimmed pieces, "Bundles," or "Packs," offered for sale, will suffer weight loss due to cutting, dressing and trimming.

(2) That the price charged for untrimmed meat is based on the hanging weight before cutting, dressing and trimming occurs.

- (3) That correct average percentage of weight loss of such untrimmed side, quarter, piece, "Bundle," or "Pack" due to cutting, dressing and trimming.
  - (b) Fails to include clearly and with prominence:
    - (1) When United States Department of Agriculture graded meat is advertised which is below the grade of "USDA Good," the meat will be identified as grades U.S. Standard and/or U.S. Commercial.
3. Disseminating, or causing the dissemination of, any advertisement, or utilizing any sales presentation, which misrepresents in any manner the price, quantity or quality of any meat or other food products, or savings available to purchasers thereof.
4. Disseminating, or causing the dissemination of, any advertisement, or utilizing any sales presentation, which represents directly or by implication, that the prices stated in such advertisements are not the regular and ordinary prices at which respondents offer for sale, and sell meat or other food products, but are instead "sale" or "special" prices, and therefore are lower than respondents' regular and ordinary prices, when, in fact, such advertised prices are the prices regularly and ordinarily charged by respondents for the products advertised and do not constitute a reduction or dollar saving from respondents' regular and ordinary prices.
5. Disseminating, or causing the dissemination of, any advertisement, or utilizing any sales presentation, which represents, directly or by implication:
  - (a) That purchasers may arrange for credit granted by respondents for purchases of meat or other food products when respondents do not in fact extend credit in the ordinary course and conduct of their business.
  - (b) That purchasers may arrange to make deferred payments for their purchases directly to respondents when, in the ordinary course and conduct of their business, respondents do not accept deferred payments but transfer purchasers' obligations to a finance company or other third party to whom such deferred payments must be made.
6. Disseminating, or causing the dissemination of, any advertisement, or utilizing any sales presentation, which fails to disclose clearly and with prominence that purchasers' obligations will be transferred to a finance company, or other third party, when, in the ordinary course and conduct of their business, such is respondents' practice.
7. Discouraging the purchase of, or disparaging in any manner,



any meat or other food products which are advertised or offered for sale.

8. Displaying any side, hindquarter, forequarter, or other portion of a beef carcass of inferior quality and unwholesome appearance, or of fatty, wasty yield grade, to prospective customers who have answered an advertisement or sales presentation of respondents, as the meat featured in such advertisement or presentation, so as to discourage such prospective customers from seeking to purchase the meat which was the subject of the advertisement or presentation.

9. Failing to maintain for a period of two (2) years adequate records, and to permit the inspection and copying thereof by Commission representatives:

(a) Which disclose the facts upon which are based price representations and statements as to the quality and the U.S.D.A. grade of meat offered for sale, savings claims, representations as to the percentage of steaks, or other high quality cuts in advertised meat, and similar representations from the type covered by this order, and from which the validity of such statements and representations can be established; and

(b) Records from which respondents' compliance with the requirements of this order can be ascertained.

*It is further ordered,* That respondents New Orleans Meats, Inc., doing business as Hutcheson Meats, its successors and assigns, its officers and Robert E. Brannan, individually and as an officer of said corporation, respondents' agents, representatives, salesmen and employees, directly or through any corporation, subsidiary, division or other device, in connection with any advertisement to aid, assist or promote, directly or indirectly, any extension of consumer credit, as "advertisement" and "consumer credit" are defined in Regulation Z of the Truth in Lending Act, do forthwith cease and desist from:

1. Stating in any advertisement the amount of the downpayment required or that no down payment is required, the amount of any installment payment, the dollar amount of any finance charge, the number of installments or the period or repayment, or that there is no charge for credit, unless there is also stated, in terminology prescribed under Section 226.8 of Regulation Z, as required by Section 226.10(d)(2) of Regulation Z, all of the following items—(i) the cash price; (ii) the amount of the down payment required or that no downpayment is required, as applicable; (iii) the number, amount, and due dates or period or repayments scheduled to repay

the indebtedness if the credit is extended; (iv) the annual percentage rate; and (v) the deferred payment price.

2. Making any disclosure not in accordance with the requirements of Section 226.10 of Regulation Z.

*It is further ordered,* That respondents deliver a copy of this order to cease and desist to all persons now engaged, or who become engaged, in the sale of meat or other food products as respondents' agents, salesmen, representatives or employees, and to secure from each of said persons a signed statement acknowledging receipt of a copy thereof.

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

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

IN THE MATTER OF  
DANCE WORLD, INC., ET AL.

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

*Docket C-2497. Complaint, Mar. 20, 1974—Decision, Mar. 20, 1974*

Consent order requiring sellers of memberships in dance and recreation clubs located in Dallas and Richardson, Texas, among other things to cease misrepresenting the prices and terms and conditions of their memberships.

*Appearances*

For the Commission: *Jim B. Brookshire.*

For the respondents: *Clay Scott, Jr., Dallas, Texas.*

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 Dance World, Inc., and Dance World Richardson, Inc., corporations, and Phyllis Francis Klein, individually and as an officer of said corporations, hereinafter sometimes 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 Dance World, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Texas with its principal office and place of business located at 1912¼ Main Street, Dallas, Tex.

Respondent Dance World Richardson, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Texas with its principal office and place of business located at 412 Spanish Village, Richardson, Tex.

Respondent Ms. Phyllis Francis Klein is an officer of the corporate respondents. She formulates, directs, and controls the acts and practices of the corporate respondents including the acts and practices hereinafter set forth. Her address is 1912¼ Main Street, Dallas, Tex.

PAR. 2. Respondents are now, and for some time last past, have been engaged in selling memberships in dance and recreation clubs.

PAR. 3. In the course and conduct of their business as aforesaid, respondents have disseminated, and caused the dissemination of certain advertisements concerning the said memberships and other services by various means in commerce, as "commerce" is defined in the Federal Trade Commission Act, including but not limited to newspapers for the purpose of inducing, and which were likely to induce, directly or indirectly, the purchase of said memberships and other services; and have disseminated and caused the dissemination of advertisements concerning said memberships and other services by various means, including but not limited to newspapers, for the purpose of inducing and which were likely to induce, directly or indirectly, the purchase of said memberships and other services in commerce as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. Typical and illustrative of the statements and representations in said advertisements, disseminated as aforesaid, but not all inclusive thereof, is the following:

PARTY TIME 52 WEEKS A YEAR \* \* \* Get acquainted with Dallas. NEW ADULT CLUB. May Special, a \$60.00 membership now only \$5.00. Join the fun instead of watching it. You'll enjoy our daily mixers \* \* \* weekly socials \* \* \* dance lessons \* \* \* weekend trips \* \* \* "night on the town" parties in Dallas' finest supper clubs. Come meet some of the nicest people in town \* \* \* make new friends \* \* \* have fun 52 weeks a year! No escort needed. All applicants personally interviewed before being accepted as members.

This offer is good for new members only!

PAR. 5. By and through the use of said advertisements and others of similar import but not specifically set forth herein, respondents have represented and are now representing, directly and by implication, that:

A one-year membership may be purchased for \$5.00.

PAR. 6. In truth and in fact, respondents do not sell a one-year membership for \$5; the initial month's membership is \$5 and the charge thereafter is \$5 per week.

Therefore, the advertisements referred to in Paragraph Four were and are false, misleading and deceptive, and the representations referred to in Paragraph Five were and are false, misleading, and deceptive.

PAR. 7. The use by respondents of the aforesaid false, misleading and deceptive statements, 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 amounts of respondents' memberships and other services by reason of said erroneous and mistaken belief.

PAR. 8. 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 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 Dallas Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act; and

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

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondents Dance World, Inc. and Dance World Richardson, Inc., are corporations organized, existing and doing business under and by virtue of the laws of the State of Texas, with their offices and principal places of business located at 1912¼ Main Street, city of Dallas, State of Texas, and 412 Spanish Village, city of Richardson, State of Texas.

Respondent Ms. Phyllis Francis Klein, is an officer of said corporation. She formulates, directs and controls the policies, acts and practices of said corporation, and her principal office and place of business is located at the above stated addresses.

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 Dance World, Inc. and Dance World Richardson, Inc., corporations, their successors and assigns, and their officers, and Phyllis Francis Klein, individually and as an officer, and respondents' agents, representatives and employees directly or through any corporation, subsidiary, division or other device, in connection with the advertising, offering for sale, and sale of dance club or social club memberships or services or any other services or products in commerce as "commerce" is defined in Federal Trade Commission act, do forthwith cease and desist from:

1. Representing, directly or by implication that any memberships may be purchased in respondents' dance clubs without clearly and conspicuously disclosing the period of time to which the membership relates and,

2. Advertising any price without also clearly and conspicuously disclosing the terms and conditions of continuing a membership beyond the initial advertised period of membership.

*It is further ordered,* That the individual respondent named herein promptly notify the Commission of the discontinuance of her present business or employment and of her affiliation with a new business or

employment. Such notice shall include respondent's current business address and a statement as to the nature of the business or employment in which she is engaged as well as a description of her duties and responsibilities.

*It is further ordered*, That in the event that respondent merges with another corporation or transfers all or a substantial part of its business or assets to any other corporation or to any other person, respondent shall require said successor or transferee to file promptly with the Commission a written agreement to be bound by the terms of this order; *Provided*, That if respondent wishes to present to the Commission any reasons why said order should not apply in its present form to said successor or transferee, it shall submit to the Commission a written statement setting forth said reasons prior to the consummation of said succession or transfer.

*It is further ordered*, That the respondent corporation shall forthwith distribute a copy of this order to each officer of the corporation, member of the board, organization manager, and each employee, now and in the future, involved in the writing or placement of advertising or sales.

*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 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

CARPET BAZAAR, INC., ET AL.

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

*Docket C-2498. Complaint, Mar. 20, 1974—Decision, Mar. 20, 1974*

Consent order requiring a Berwyn, Ill., retailer and installer of home carpeting, among other things to cease misrepresenting the price at which it will carpet a home and the prices of carpet remnants; that its prices are sale or reduced or that savings will be afforded to purchasers; and to cease its failure to maintain adequate records to support savings claims.

Complaint

*Appearances*

For the Commission: *Douglas P. Wilson.*

For the respondents: *Alton, Jurlander & Wise, Chicago, Ill.*

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 Carpet Bazaar, Inc., a corporation, and Allen R. Greenberg, 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. Respondent Carpet Bazaar, Inc., 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 7050 West Cermak Road, Berwyn, Ill.

Respondent Allen R. Greenberg is an individual and is the principal officer of the corporate respondents. He formulates, directs and controls the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. His business address is the same as that of the corporate respondent.

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

PAR. 3. In the course and conduct of their aforesaid business, and for the purpose of inducing the purchase of their carpeting and floor coverings, respondents have made, and are now making, numerous statements and representations by repeated advertisements inserted in newspapers of interstate circulation, and by oral statements and representations of their salesmen to prospective purchasers with respect to their products and services.

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

CARPET YOUR ENTIRE HOME REGARDLESS OF THE NUMBER OF ROOMS  
\$549 BUYS IT ALL

\* \* \* \* \*

JANUARY CARPET CLEARANCE

IT'S A SALE!

THOUSANDS OF REMNANTS AND WALL TO WALL TO \*\*\*

SAVE 30 to 60% ON LUXURIOUS BROADLOOM CARPETING WHILE OUR  
JANUARY SALE LASTS.

\* \* \* \* \*

SAVE 29% to 57% TODAY ON 3,000 1st QUALITY REMNANTS.

\* \* \* \* \*

REG. \$219.00—\$88 12 x 13 to 12 x 15  
REG. \$118.00—\$59 7 x 12 to 9 x 12

\* \* \* \* \*

INDOOR OUTDOOR HERCULON REG. \$4.95 NOW \$2.39 SQ. YD.

\* \* \* \* \*

PAR. 4. By and through the use of the above-quoted statements and representations, and others of similar import and meaning but not expressly set out herein, respondents have represented, and are now representing, directly or by implication, that:

1. Respondents will carpet an entire home, regardless of the number of rooms, for \$549.

2. By and through the use of the word "sale," and other words of similar import and meaning not set out specifically herein, that said carpeting and floor covering may be purchased at special or reduced prices, and purchases are thereby afforded savings from respondents' regular selling prices.

3. Purchasers of respondents' floor coverings are afforded savings of 30 to 60 percent and 29 to 57 percent of the prices at which such floor coverings are usually and customarily sold at retail.

PAR. 5. In truth and in fact:

1. Respondents will not carpet an entire home, regardless of the number of rooms, for \$549. To the contrary, respondents impose limitations on the amount of carpeting they will sell and install for the advertised price.

2. Respondents' merchandise is not being offered for sale at special or reduced prices. To the contrary, the price respondents regularly advertise and their so-called advertised "sale" price are identical and are used to mislead prospective customers into believing there is a saving from a bona fide regular selling price.

3. Purchasers of respondents' carpet remnants and rugs are not afforded savings of 30 to 60 percent or 29 to 57 percent of the prices at which such carpet remnants and rugs are usually and customarily sold at retail. To the contrary, the percentage price comparison is based on prices for quantities of carpeting required for wall-to-wall installation rather than the advertised carpet remnants or rugs which are usually sold for less than wall-to-wall prices.

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



PAR. 6. 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 and distribution of rugs, carpeting and floor coverings of the same general kind and nature as those sold by respondents.

PAR. 7. The use by respondents of the aforesaid false, misleading and deceptive statements, 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 complete, and into the purchase of substantial quantities of respondents' products and services by reason of said erroneous and mistaken belief.

PAR. 8. The aforesaid acts and practices of respondents, as herein alleged, were and are all to the prejudice and injury of the public and of respondents' competitors and constituted, and now constitute, unfair and deceptive acts and practices in commerce in violation of Section 5 of the Federal Trade Commission Act.

#### 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 Chicago Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act; and

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

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that Complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

## Decision and Order

1. Respondent Carpet Bazaar, 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 7050 West Cermak Road, Berwyn, Ill.

Respondent Allen R. Greenberg is an officer of said corporation. He formulates, directs and controls the policies, acts and practices of said corporation, and his principal office and place of business is located at the above-stated address.

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 Carpet Bazaar, Inc., a corporation, its successors and assigns, and its officers, and Allen R. Greenberg, individually and as an officer of said corporation, and respondents' agents, representatives, and employees, directly or through any corporation, subsidiary, or other device, in connection with the advertising, offering for sale, sale or distribution of carpeting and floor coverings, or any other article of merchandise in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Advertising or otherwise representing that respondents will carpet an entire home, regardless of the number of rooms, for "\$549" or any other stated amount, unless such is the fact.

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

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

(b) Representing, directly or indirectly, orally or in writing, that by purchasing any of said merchandise, customers are afforded savings amounting to the difference between respon-

dents' advertised sale price and a regular price for said merchandise in respondents' trade area unless a substantial number of the principal retail outlets in the trade area regularly sell said merchandise at such regular price.

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

4. Advertising or otherwise representing a regular price or compared value price for carpet remnants or rugs (a) unless the carpet remnants or rugs being advertised are of the same grade and quality as the carpets with which such advertised prices are compared; and (b) without disclosing in immediate conjunction therewith that the regular selling price or compared value price is based on the wall-to-wall price of carpeting of the same grade and quality.

5. Representing, directly or by implication, orally or in writing, that purchasers of respondents' merchandise will save any stated dollar or percentage amount without fully and conspicuously disclosing in immediate conjunction therewith, the basis for such savings representations.

6. Failing to maintain and produce for inspection or copying for a period of three (3) years, adequate records (a) which disclose the facts upon which any savings claims, sales claims and other similar representations as set forth in Paragraphs One, Two and Four of this order are based, and (b) from which the validity of any savings claims, sale claims and similar representations can be determined.

*It is further ordered,* That respondents shall maintain for at least a one (1) year period, following the effective date of this order, copies of all advertisements, including newspaper, radio and television advertisements, direct mail and in-store solicitation literature, and any other such promotional material utilized for the purpose of obtaining leads for the sale of carpeting or floor coverings, or utilized in the advertising, promotion or sale of carpeting or floor coverings and other merchandise.

*It is further ordered,* That respondents, for a period of one (1) year from the effective date of this order, shall provide each advertising

agency utilized by respondents and each newspaper publishing company, television or radio station or other advertising media which is utilized by respondents to obtain leads for the sale of carpeting or floor coverings and other merchandise, with a copy of the Commission's news release setting forth the terms of this order.

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

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

*It is further ordered,* That 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 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 of their compliance with this order.

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IN THE MATTER OF

ATLANTIC CONSTRUCTION & SUPPLY CO., ET AL.

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

*Docket C-2499. Complaint, Mar. 20, 1974—Decision, Mar. 20, 1974*

Consent order requiring a Mt. Rainier, Md., seller and distributor of home improvement products and services, among other things to cease misrepresenting prices as reduced or special, the savings afforded purchasers, offers as limited or restricted as to time; disparaging or refusing to sell any product or service advertised; using deceptive or misleading representations to obtain prospective purchasers; misrepresenting the price of products or services; representing prices for products or services without showing in an estimate or contract each separate item included in the price; representing prices for a complete remodeling service without disclosing the additional costs to complete the remodeling service; including misleading illustrations in advertisements; contracting for any sale in the form of legal papers binding on the buyer prior to midnight of the 3rd day; failing to furnish buyers with completed receipts or copies of contracts or notices of cancellation in the same language used in oral sales

presentation; failing to inform buyers orally of or misrepresenting their right to cancel and to honor valid notices of cancellation; transferring customers' notes to other parties prior to midnight of the fifth day following the day the contract was signed; and failing to keep for two years copies of advertisements or promotional material.

#### *Appearances*

For the Commission: *David W. Bushong.*

For the respondents: *Pro se.*

#### 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 Atlantic Construction & Supply Co., a corporation, and Norman Glaser and Stuart Schulman, individually and as officers of said corporation, hereinafter sometimes 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 Atlantic Construction & Supply Co. is a corporation organized, existing and doing business under and by virtue of the laws of the District of Columbia with its principal office and place of business 207 Varnum Street, Mt. Rainier, Md.

Respondents Norman Glaser and Stuart Schulman 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 business addresses are the same as that of the corporate respondent.

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

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

PAR. 3. In the course and conduct of their aforesaid business, 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 State of Maryland to purchasers thereof located in various other States of the United States and in the District of Columbia, and maintain, and at all times mentioned herein have maintained, a 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 home improvement

products and services, respondents and their salespersons or representatives have made, and are now making, numerous statements and representations in advertising and promotional material and through oral statements and representations with respect to their prices and their purchasers' savings.

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

After Holiday Event

All Prices Reduced

We must keep our craftsmen busy for the winter season

REC. ROOM SPECIAL \$588 CASH PRICE 12 x 15 Includes Tile Floor, Acoustic Ceiling, Georgia Pacific Paneling, Closed Under Stairway, All Necessary Trim, Larger Size Rooms Proportionally Higher Depending on Materials Selected

ADDITIONS NOW \$588 CASH PRICE 10' x 12' FOR GROUND LEVEL EXTRA BEDROOM, GAME ROOM or REC. ROOM SIZE 10 x 12 Plate over existing Masonry Wall-Sheathing for the Walls-Studding for the Walls-Rafters for the Roof-Sheathing for the Roof-All carpentry, labor and materials-furnished for the above work.

BAR INCLUDED WITH DE LUX REC. ROOM

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

1. Their home improvement products and services are being offered for sale at special or reduced prices, and savings are thereby afforded purchasers because of reductions from respondents' regular selling prices.
2. Their offer is made for a limited time only.
3. A bona fide offer is being made to sell the advertised products and services at the prices, or proportionate prices, and on the terms and conditions specified in the advertisements.
4. They are offering complete basement recreation room and room addition remodeling services for the prices shown in the advertisements for those remodeling services.
5. A bar is included in the basement recreation room remodeling service for the price shown in the advertisement for that service.

PAR. 6. In truth and in fact:

1. Respondents' products and services are not being offered for sale at special or reduced prices, and savings are not thereby afforded purchasers because of reductions from respondents' regular selling prices. In fact, respondents do not have regular selling prices but the

prices at which respondents' products are sold vary from customer to customer depending on the resistance of the prospective purchaser.

2. Respondents' advertised offer is not made for a limited time only. Said products and services are advertised regularly at the represented prices and on the terms and conditions therein stated.

3. The offers made in respondents' advertisements are not bona fide offers to sell the advertised products and services at the prices, or proportionate prices, and on the terms and conditions specified in the advertisements in that:

a. Respondents' offers are made for the purpose of obtaining leads to persons interested in the purchase of respondents' products and services. After obtaining such leads, respondents' salespersons or representatives call upon such persons at their homes and, according to their established mode of operation, respondents' salespersons or representatives disparage the advertised product or service and otherwise discourage the purchase thereof and attempt to sell, and frequently do sell, a different and more expensive product or service instead of the advertised product or service for which the customer was originally solicited.

b. In many cases, the prices charged for respondents' products and services exceed the advertised prices, or proportionate prices.

c. Remodeling products and services are sold at a single contract price which includes all material, labor and other costs. Since no itemized estimate or contract is provided, persons who respond to the advertisements and purchase remodeling products and services have absolutely no means of knowing what price they are paying for the advertised items.

4. The respondents do not offer complete basement recreation room and room addition remodeling services for the prices shown in the advertisements for those remodeling services. The format of respondents' advertisements, and the prominent manner in which the prices are set forth, leads a substantial number of prospective purchasers to the impression that the prices shown are the full prices for complete remodeling services. This mistaken impression is enhanced by the fact that in many instances homeowners are not aware of the quantity and cost of the additional material and labor necessary for a complete remodeling service. Respondents' failure to disclose in their advertisements the quantity and cost of such additional material and labor as is normally necessary for a complete remodeling service further enhances the capacity and tendency of said advertisements to lead prospective purchasers to believe that a complete remodeling service is being offered.

5. A bar is not included in the basement recreation room remodeling service for the price shown in the advertisement for that service.

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

PAR. 7. In the further course and conduct of their business and in furtherance of a sales program for inducing the purchase of their home remodeling and expansion services, respondents and their salesmen or representatives have engaged in the following additional unfair, false, misleading and deceptive acts and practices:

In a substantial number of instances, through the use of the false, misleading and deceptive statements, representations and practices set forth in Paragraphs Four through Six, above, respondents or their representatives have been able to induce customers into signing a contract upon initial contact without giving the customer sufficient time to carefully consider the purchase and consequences thereof.

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

PAR. 9. The use by respondents of the aforesaid false, misleading and deceptive statements, 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 accurate and into the purchase of substantial quantities of respondents' home improvement products and services 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.

#### DECISION AND ORDER

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

The respondents and counsel for the Commission having thereafter



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

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

1. Respondent Atlantic Construction & Supply Co. is a corporation organized, existing and doing business under and by virtue of the laws of the District of Columbia, with its office and principal place of business located at 2207 Varnum Street, Mt. Rainier, Md.

Respondent Norman Glaser and Stuart Schulman are officers of said corporation. They formulate, direct and control the policies, acts and practices of said corporation, and their principal office and place of business is located at the above stated address.

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 Atlantic Construction & Supply Co., a corporation, its successors and assigns and its officers, and Norman Glaser and Stuart Schulman, individually and as officers of said corporation, and respondents' agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the advertising, offering for sale, sale or distribution of home improvement products and services, or any other product or service, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Using the words "All Prices Reduced" or "Special" or any other word or words of similar import or meaning not set forth specifically herein, unless the price of such product or service being offered for sale constitutes a reduction, in an amount not so insignificant as to be meaningless, from the actual bona fide price at

which such product or service was sold or offered for sale to the public on a regular basis by respondents for a reasonably substantial period of time in the recent regular course of their business.

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

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

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

3. Representing, orally or in writing, directly or by implication, that any offer to sell a product or service is limited or restricted as to time or is limited or restricted in any other manner, unless the represented limitation or restriction is imposed and adhered to in good faith by the respondents.

4. Advertising, or offering for sale, any product or service for the purpose of obtaining leads to potential purchasers of different products or services, unless the advertised, or offered, product or service is capable of adequately performing its intended function and respondents maintain an adequate and readily available stock of said product and are willing and able to perform said service.

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

6. Using any advertisement, sales plan or procedure which involves the use of any false, misleading or deceptive statement, representation or illustration designed to obtain leads to potential purchasers of respondents' products or services.

7. Representing, orally or in writing, directly or by implication, that any product or service is offered for sale when such is not a bona fide offer to sell said product or service.

8. Misrepresenting, orally or in writing, directly or by implication, the price, or proportionate price, of any of their products or services.

9. Representing, orally or in writing, directly or by implication, a price for any product or service unless the charge for such product or service, the quantity of material upon which such charge is based and a description of the type and grade of such material is shown as a separate item on an estimate and contract provided the purchaser.

10. Representing, orally or in writing, directly or by implication, prices for selected items of material, fixtures and labor which are available only as part of a complete remodeling service without disclosing an accurate estimate of the cost of such additional items of material, fixtures and labor normally necessary to complete the represented remodeling service.

11. Including illustrations in advertisements, unless such illustrations accurately depict the product being advertised and the quantity of the product available for the advertised price.

12. 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.

13. Failing to furnish the buyer with a fully completed receipt or copy of any contract pertaining to such sale at the time of its execution, which is in the same language, *e.g.*, Spanish, as that principally used in the oral sales presentation and which shows the date of the transaction and contains the name and address of the seller, and in immediate proximity to the space reserved in the contract for the signature of the buyer or on the front page of the receipt if a contract is not used and in bold face type of a minimum size of 10 points, a statement in substantially the following form:

YOU, THE BUYER, MAY CANCEL THIS TRANSACTION AT ANY TIME PRIOR TO MIDNIGHT OF THE THIRD BUSINESS DAY AFTER THE DATE OF THIS

TRANSACTION. SEE THE ATTACHED NOTICE OF CANCELLATION FORM FOR AN EXPLANATION OF THIS RIGHT.

14. Failing, in those transactions in which a security interest in the buyer's principal residence is not or will not be retained, to furnish each buyer, at the time he signs the sales contract or otherwise agrees to buy consumer goods or services from the seller, a completed form in duplicate, captioned "NOTICE OF CANCELLATION," which shall be attached to the contract or receipt and easily detachable, and which shall contain in ten point bold face type the following information and statements in the same language, *e.g.*, Spanish, as that used in the contract:

NOTICE OF CANCELLATION

[enter date of transaction]

\_\_\_\_\_  
(Date)

YOU MAY CANCEL THIS TRANSACTION, WITHOUT ANY PENALTY OR OBLIGATION, WITHIN THREE BUSINESS DAYS FROM THE ABOVE DATE.

IF YOU CANCEL, ANY PROPERTY TRADED IN, ANY PAYMENTS MADE BY YOU UNDER THE CONTRACT OR SALE, AND ANY NEGOTIABLE INSTRUMENT EXECUTED BY YOU WILL BE RETURNED WITHIN 10 BUSINESS DAYS FOLLOWING RECEIPT BY THE SELLER OF YOUR CANCELLATION NOTICE, AND ANY SECURITY INTEREST ARISING OUT OF THE TRANSACTION WILL BE CANCELLED.

IF YOU CANCEL, YOU MUST MAKE AVAILABLE TO THE SELLER AT YOUR RESIDENCE, IN SUBSTANTIALLY AS GOOD CONDITION AS WHEN RECEIVED, ANY GOODS DELIVERED TO YOU UNDER THIS CONTRACT OR SALE; OR YOU MAY IF YOU WISH, COMPLY WITH THE INSTRUCTIONS OF THE SELLER REGARDING THE RETURN SHIPMENT OF THE GOODS AT THE SELLER'S EXPENSE AND RISK.

IF YOU DO MAKE THE GOODS AVAILABLE TO THE SELLER AND THE SELLER DOES NOT PICK THEM UP WITHIN 20 DAYS OF THE DATE OF YOUR NOTICE OF CANCELLATION, YOU MAY RETAIN OR DISPOSE OF THE GOODS WITHOUT ANY FURTHER OBLIGATION.

TO CANCEL THIS TRANSACTION, MAIL OR DELIVER A SIGNED AND DATED COPY OF THIS CANCELLATION NOTICE OR ANY OTHER WRITTEN NOTICE, OR SEND A TELEGRAM, TO [Name of seller], AT [address of seller's place of business], NOT LATER THAN MIDNIGHT OF \_\_\_\_\_

(date)

I HEREBY CANCEL THIS TRANSACTION.

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Buyer's signature)

15. Failing, in those transactions in which a security interest in

the buyer's principal residence is not or will not be retained, before furnishing copies of the "Notice of Cancellation" to the buyer, to complete both copies by entering the name of the seller, the address of the seller's place of business, the date of the transaction, and the date, not earlier than the third business day following the date of the transaction, by which the buyer may give notice of cancellation.

16. Including in any sales contract or receipt any confession of judgment of any waiver of any of the rights to which the buyer is entitled under this order including specifically his right to cancel the sale in accordance with the provisions of this order.

17. Failing to inform each buyer orally, at the time he signs the contract or purchases the goods or services, of his right to cancel.

18. Misrepresenting, directly or indirectly, orally or in writing, the buyer's right to cancel.

19. Failing or refusing to honor any valid notice of cancellation by a buyer and within 10 business days after the receipt of such notice, to (i) refund all payments made under the contract or sale; (ii) return any goods or property traded in, in substantially as good condition as when received by the seller; (iii) cancel and return any negotiable instrument executed by the buyer in connection with the contract or sale and take any action necessary or appropriate to terminate promptly any security interest created in the transaction.

20. Negotiating, transferring, selling, or assigning any note or other evidence of indebtedness to a finance company or other third party prior to midnight of the fifth business day following the day the contract was signed or the goods or services were purchased.

21. Failing, within 10 business days of receipt of the buyer's notice of cancellation, to notify him whether the seller intends to repossess or to abandon any shipped or delivered goods.

22. Failing to retain, for a period of not less than two (2) years from the date of their last use, a copy of each advertisement and item of promotional material, including, but not limited to, each newspaper advertisement, radio or television script, direct mail advertisement and product brochure, used for the purpose of obtaining leads to prospective purchasers of respondents' products and services or in promoting the sale of respondents' products and services and a record of the number of copies disseminated and the dates and means of dissemination.

23. Failing to retain, for a period of not less than two (2) years following each price reduction or savings claim, including, but not limited to, each claim of the types described in Paragraphs 1

through 3 of this order, adequate records to substantiate each such claim.

24. Failing to produce, for the purpose of examination and copying by representatives of the Federal Trade Commission, those records required to be retained by this order.

*Provided, however,* That nothing contained in 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 showing, shall make such modifications as may be warranted in the premises.

*It is further ordered,* That respondents shall forthwith deliver a copy of this order to cease and desist, and a copy of the Commission's news release setting forth the terms of the order, to each advertising agency and advertising medium, such as newspaper publishing company, radio station or television station, presently utilized in the course of their business, and that respondents shall, immediately upon opening an account, deliver a copy of such order and news release to any such agency or medium with which they subsequently open an account.

*It is further ordered,* That respondents shall forthwith deliver a copy of this order to cease and desist to each of their agents, representatives and employees engaged in the offering for sale or sale of respondents' products or services, in the consummation of any extension of consumer credit or in any aspect of the creation, preparation or placing of respondents' advertisements and that respondents shall deliver a copy of such order to each such person whom they subsequently employ, immediately upon employing each such person, and that respondents shall secure from each such person a signed statement acknowledging receipt of said order.

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

*It is further ordered,* That respondents shall notify the Commission at least thirty (30) days prior to any proposed change in a 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 individual respondents named herein promptly notify the Commission of the discontinuance of their present business or employment and of their affiliation with any other home improvement business or employment. Such notice shall include re-

spondents' current business address and a statement as to the nature of the business or employment in which they are engaged as well as a description of their duties and responsibilities.

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

IN THE MATTER OF  
M.T.I. BUSINESS SCHOOLS OF SACRAMENTO, INC., ET AL.  
CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE  
FEDERAL TRADE COMMISSION ACT

*Docket C-2500. Complaint, Mar. 20, 1974—Decision, Mar. 20, 1974*

Consent order requiring a Sacramento, Calif., business school, among other things to cease misrepresenting the opportunities available to individuals trained in particular job fields such as cashier to checkstand operations, data processing or computer programming; misrepresenting the salaries available in such fields; and failing to maintain accurate records to substantiate such claims.

*Appearances*

For the Commission: *Jeffrey A. Klurfeld.*

For the respondents: *Pro se.*

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 M.T.I. Business Schools of Sacramento, Inc., a corporation and Arnold Zimmerman, individually and as an officer of said corporation, hereinafter sometimes 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 M.T.I. Business Schools of Sacramento, Inc., hereinafter sometimes referred to as "MIT," is a corporation organized, existing and doing business under and by virtue of the laws of the State of California, with its principal office and place of business located at 2731 Capitol Avenue, Sacramento, Calif. Respondent MTI sometimes transacts business under the trade names "M.T.I. Business College" or "M.T.I. Western Business College."

Respondent Arnold Zimmerman is president of the corporate respon-

dent. 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 formulation, development, offering for sale, sale and conducting of courses of instruction intended to prepare graduates thereof for employment in positions involving the commercial application of data processing, including computer programming and computer operations; for employment in positions involving the commercial application of typing, transcription and shorthand skills, and for employment in the following specific positions:

medical receptionist	"career" secretary
general receptionist	legal secretary
teletype operator	checkstand operator
switchboard operator	cashier
bookkeeper/accountant	

Respondents' volume of business in said courses of instruction has been, and is, substantial.

Respondents conduct their business of offering for sale, sale and conducting of courses of instruction through a resident training facility. Through said resident training facility, respondents place into operation and implement a sales program whereby members of the general public by means of advertisements placed in broadcast and printed media of general circulation, and by means of brochures, pamphlets and other promotional literature disseminated through the United States mails or by other means, and by means of statements, representations, acts and practices as hereinafter set forth, are induced to sign contracts or enrollment agreements for a course of resident training of a stated length of time and for a stated tuition cost.

PAR. 3. In the course and conduct of their aforesaid business, and to induce the purchase of their courses of instruction by members of the general public, respondents promote their courses of instruction by advertising in newspapers of general circulation which are distributed through the United States mails and/or across state lines, and over television stations whose signals are transmitted across state lines. In response to inquiries from said advertisements, respondents disseminate to prospective students promotional literature through the United States mails and/or across state lines. Respondents maintain, and at all times mentioned herein have maintained, a substantial course of trade in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In conjunction with said advertising, respondents have made



certain statements and representations respecting the large and growing demand for graduates of respondents' courses, the ease with which respondents' graduates are placed in positions for which they are trained, the types of positions and salaries attained by graduates of respondents' courses, and projections of occupational demand and the future growth of employment in fields for which respondents offer training.

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

1. Cashier-Checkstand Operator Courses

Grocery checker, CASHIER-STOCKMAN, EARN BIG \$\$\$.

[newspaper classified advertisement]

\* \* \* \* \*

As a skilled, MTI graduate, your future will be assured in this ever-growing field.

\* \* \* \* \*

The knowledge and skills you gain in the field of self service checking are much in demand to fill an important and challenging position in today's society.

\* \* \* \* \*

MTI offers a thorough and intensive schedule of studies designed to help you \* \* \* to help you secure your place in a constantly growing employment market \* \* \* to help you earn good money right away \* \* \* and to help you plan for your future NOW!

[From brochure entitled "SELF-SERVICE CHECKER-CASHIER STOCKMEN."]

2. Computer Programming and Data Processing Courses

a. Job Availability Claims

Where the jobs are

\* \* \* \* \*

Right now there are over 100,000 good high-paying jobs going begging in the data processing field for lack of trained men and women to fill them.

\* \* \* \* \*

If you meet our qualifications, we'll train you to step right into one of these 100,000 good jobs.

\* \* \* \* \*

With your whole future riding on it, you owe it to yourself to consider training for a career in the booming data processing industry.

[From "Do you want to work with your hands or with your head?" brochure about Computer Programming and Data Processing courses.]

b. Income Potential Claims

How would you like to start at \$7,000 a year and be up to \$14,000 just a few years from now?

[From "Do you want to work with your hands or with your head?" brochure about Computer Programming and Data Processing courses.]

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

1. There is a reasonable basis from which to conclude that there is now or will be an urgent need or demand for trained persons in the fields of cashier and checkstand operations which respondents' training is designed to meet.

2. (a) There is a reasonable basis from which to conclude that there is now or will be an urgent need or demand for trained persons in the fields of data processing and computer programming which respondents' training is designed to meet.

(b) There is a reasonable basis from which to conclude that a substantial number or percentage of graduates of respondents' courses of instruction in data processing and computer programming earn an entry-level salary in excess of \$7,000 per year, and a salary of \$14,000 per year several years thereafter.

PAR. 6. In truth and in fact:

1. Respondents had no reasonable basis from which to conclude that there is now or will be an urgent need or demand for trained persons in the field of cashier and checkstand operations which respondents' training is designed to meet. The only reasonable basis for such claims would be competent and reliable statistical evidence obtained prior to the making of such statements.

2. (a) Respondents had no reasonable basis from which to conclude that there is now or will be an urgent need or demand for trained persons in the fields of data processing and computer programming which respondents' training is designed to meet. The only reasonable basis for such claims would be competent and reliable statistical evidence obtained prior to the making of such statements.

(b) Respondents had no reasonable basis from which to conclude that a substantial number or percentage of graduates of respondents' courses of instruction in data processing and computer programming earn an entry level salary in excess of \$7,000 per year, or a salary of \$14,000 per year, at the time the representations were made. The only reasonable basis for such claims would be competent and reliable statistical evidence obtained prior to the making of such statements.

Therefore, respondents' statements and representations, as set forth herein were, and are, false, misleading or deceptive acts or practices.

PAR. 7. Through the use of the aforesaid advertisements and otherwise, respondents have represented, directly and by implication, that

there is or will be an urgent need or demand for trained people in the fields of cashier and checkstand operations which respondents' training is designed to meet. There existed at the time of the said representations no reasonable basis in the form of competent and reliable statistical evidence, which was, and is now, adequate to support representations pertaining to the urgent need or demand for graduates of respondents' courses in the fields of cashier and checkstand operations. Therefore, the aforesaid acts and practices were, and are, deceptive or unfair acts or practices.

PAR. 8. Through the use of the aforesaid advertisements and otherwise, respondents have represented, directly and by implication, that there is or will be an urgent need or demand for trained people in the fields of computer programming and data processing which respondents' training is designed to meet; that a substantial number or percentage of graduates of respondents' courses of instruction earn an entry-level salary in excess of \$7,000 per year or a salary of \$14,000 per year in a few years. There existed at the time of the said representations no reasonable basis, in the form of competent and reliable statistical evidence, which was, and is now, adequate to support representations pertaining to the urgent need or demand for graduates of respondents' courses in the fields of computer programming and data processing, or to the salaries such graduates would receive. Therefore, the aforesaid acts and practices were, and are, deceptive or unfair acts or practices.

PAR. 9. In the course and conduct of their business, and at all times mentioned herein, respondents have been, and now are in substantial competition, in commerce, with corporations, firms and individuals engaged in the sale of courses of instruction covering the same or similar subjects.

PAR. 10. The use by respondents of the aforesaid false, misleading, unfair or deceptive statements, 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 to induce a substantial number thereof to purchase respondents' courses by reason of said erroneous and mistaken belief.

PAR. 11. 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 or deceptive acts or practices 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 San Francisco Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act; and

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

The Commission having thereafter considered the matter and having determined that it has reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent M.T.I. Business Schools of Sacramento, Inc., hereinafter sometimes referred to as "MTI," 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 2731 Capitol Avenue, Sacramento, Calif.

Respondent Arnold Zimmerman is an officer of said corporation. He formulates, directs and controls the policies, acts and practices of said corporation, and his principal office and place of business is located at the above-stated address.

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

#### ORDER

*It is ordered,* That respondent M.T.I. Business Schools of Sacramento, Inc., a corporation, its successors and assigns, and its officers, agents, representatives, employees and independent contractors, directly or through any corporation, subsidiary, division, franchisee or other device, and respondent Arnold Zimmerman, individually and as an officer of said corporate respondent, in connection with the creating,

advertising, promoting, offering for sale, sale or conducting of courses of study, training or instruction in any field in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

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

a. There is an urgent need or demand, or a need or demand of any size, proportion or magnitude, for trained people in the fields of cashier or checkstand operations, data processing or computer programming, or otherwise representing, orally or in writing, that opportunities of any size, figure or number, are available to such persons, or to any person completing any of the courses offered by the respondents in the fields of cashier or checkstand operations, data processing or computer programming, or any other course in any field, unless respondents in each and every instance have in good faith conducted or otherwise secured a statistically valid survey which establishes the validity of any such representation at all times when, and in all locations with respect to which, the representation is made.

b. Any amount of salary or other remuneration will or may be earned by any person completing any course offered by the respondents, unless the respondents in each and every instance have in good faith conducted or otherwise secured a statistically valid survey which establishes the validity of any such claim at all times when, and in all locations with respect to which, the representation is made.

2. Failing to keep accurate records which may be inspected by Commission staff members upon reasonable notice:

a. Which disclose the facts upon which any claims or other representations of the type described in Paragraph 1 of this order are based; and

b. From which the validity of claims, or other representations of the type described in Paragraph 1 of this order can be determined.

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

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

IN THE MATTER OF  
BI-RITE, INC. TRADING AS BARGAIN BARN  
CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION  
OF THE FEDERAL TRADE COMMISSION ACT

*Docket C-2501. Complaint, Mar. 20, 1974—Decision, Mar. 20, 1974.*

Consent order requiring an Irving, Tex., seller and distributor of beef and other meat products, among other things to cease advertising cheese, fowl or fish as meat or meat products.

*Appearances*

For the Commission: *John J. Hemrick.*

For the respondent: *Pro se.*

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 Bi-Rite, Inc., a corporation, trading and doing business as Bargain Barn, hereinafter sometimes 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 Bi-Rite, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Texas, with its principal office and place of business located at 504 North O'Conner, Irving, Tex.

PAR. 2. Respondent is now, and for some time last past has been engaged in the advertising, offering for sale, sale, and distribution of beef and other meat products which come within the classification of

food, as the term "food" is defined in the Federal Trade Commission Act, to members of the purchasing public.

PAR. 3. In the course and conduct of its business as aforesaid, respondent has disseminated, and caused the dissemination of, certain advertisements concerning the said product by various means in commerce, as "commerce" is defined in the Federal Trade Commission Act, including but not limited to newspapers for the purpose of inducing, and which were likely to induce, directly or indirectly, the purchase of said product; and have disseminated and caused the dissemination of advertisements concerning said product by various means, including but not limited to newspapers, 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. 4. Typical and illustrative of the statements and representations in said advertisements, disseminated as aforesaid, but not all inclusive thereof, is the following:

26 lbs. of MEAT! *Only* \$18.88.

PAR. 5. By and through the use of said advertisements and others of similar import but not specifically set forth herein, respondent has represented and is now representing, directly and by implication, that:

Members of the consuming public can purchase twenty-six (26) pounds of *meat* products for the price of \$18.88.

PAR. 6. In truth and in fact, 26 pounds of meat were not being offered for sale for \$18.88, rather respondent was offering to sell for \$18.88 ten (10) pounds of chicken, eleven (11) pounds of fish and five (5) pounds of cheese.

Therefore, the advertisements referred to in Paragraph Four were and are false, misleading, and deceptive in material respects, and the representations referred to in Paragraph Five were and are false, misleading, and deceptive.

PAR. 7. The use by respondent of the aforesaid 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 purchase of substantial quantities of respondent's product. As a result thereof, substantial trade has been and is being unfairly diverted to respondent from its competitors.

PAR. 8. The aforesaid acts and practices of respondent, 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 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 respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Dallas Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act; and

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

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that 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 Bi-Rite, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Texas, with its office and principal place of business located at 504 North O'Conner, city of Irving, State of Texas.
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 Bi-Rite, Inc., a corporation, its successors and assigns, and its officers, and respondent's agents, representatives, and employees, directly or through any corporation, subsidiary, division or other device, in connection with the advertisement, offering for sale, sale, or distribution of freezer meats or any other product in



commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

Advertising cheese, fowl, or fish as meat or meat products.

*It is further ordered*, That in the event that respondent merges with another corporation or transfers all or a substantial part of its business or assets to any other corporation or to any other person, respondent shall require said successor transferee to file promptly with the Commission a written agreement to be bound by the terms of this order; *Provided*, That if respondent wishes to present to the Commission any reasons why said order should not apply in its present form to said successor or transferee, it shall submit to the Commission a written statement setting forth said reasons prior to the consummation of said succession or transfer.

*It is further ordered*, That respondent shall forthwith distribute a copy of this order to each officer of the corporation, member of the board, organization manager, and each employee, now and in the future, involved in the writing or placement of advertising or sales.

*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 herein shall within sixty (60) days after service upon it of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this order.

#### IN THE MATTER OF

#### ELECTRONIC CENTERS, ET AL.

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

*Docket C-2502. Complaint, Mar. 20, 1974—Decision, Mar. 20, 1974*

Consent order requiring a Houston, Tex. seller of electronic equipment normally found in the store of a retail seller of music and voice amplification equipment, among other things to cease misrepresenting the usual or regular selling price of merchandise; misrepresenting the amount of savings available to purchasers; and failing to maintain adequate records.

#### *Appearances*

For the Commission: *Stuart E. Armetty*.

For the respondents: *Pro se*.

## 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 Electronic Centers, a corporation, and Harvey Zinn, individually and as an officer of said corporation, hereinafter sometimes 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 Electronic Centers, is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Texas, with its principal office and place of business located at 5323 Wesleyan, Houston, Tex.

Respondent Harvey Zinn, 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 now and for some time last past have been engaged in the advertising, offering for sale, and sale of electronic equipment and other items normally found in the store of a retail seller of music and voice amplification equipment.

PAR. 3. In the course and conduct of their business as aforesaid, respondents have disseminated, and caused the dissemination of certain advertisements concerning the said products by various means in commerce, as "commerce" is defined in the Federal Trade Commission Act, including but not limited to newspapers for the purpose of inducing, and which were likely to induce, directly or indirectly, the purchase of said products; and have disseminated and caused the dissemination of advertisements concerning said products by various means, including but not limited to newspapers, for the purpose of inducing and which were likely to induce, directly or indirectly, the purchase of said products in commerce as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. Typical and illustrative of the statements and representations in said advertisements, disseminated as aforesaid, but not all inclusive thereof, are the following:

1. Harmon Kardon + 50 Four Channel Sound \* \* \* Reg. \$689.75  
Custom Hi Fi Saves you \$230.75 \* \* \* \$459
2. Marantz 4415 Four Channel Sound \* \* \* Reg. \$771.75 Custom Hi  
Fi Saves you \$232.75 \* \* \* \$559
3. Harmon Kardon + 7J Four Channel Sound \* \* \* Reg. \$1069.70  
Custom Hi Fi Saves you \$222.70 \* \* \* \$847

4. Sansui CXR 4500 Four Channel Sound \* \* \* Reg. \$1449.70 Custom Hi Fi saves you \$270.70 \* \* \* \$1179

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

1. The higher prices, accompanied by the words "Regular," "Reg.," or words of similar import or meaning, were the prices at which the advertised merchandise was offered for sale or sold by respondents in good faith for a reasonably substantial period of time in the recent, regular course of their business. Purchasers of such merchandise would save an amount equal to the difference between respondents' higher selling prices and the corresponding advertised lower selling prices.

2. During the period of the advertised "Sale" or words of similar import and meaning, the advertised price of any merchandise represents a reduction from the price at which respondents have made a bona fide offer to sell or have sold said merchandise on a regular basis for a reasonably substantial period of time in the recent, regular course of their business.

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

PAR. 6. In truth and in fact:

1. The higher prices, accompanied by the words "Regular," "Reg.," or words of similar import and meaning, were not the prices that advertised merchandise was offered for sale or sold by respondents in good faith for a reasonably substantial period of time in the recent, regular course of their business, and purchasers thereof would not save amounts equal to the difference between respondents' higher selling prices and the corresponding advertised lower selling prices.

2. During the period of the advertised "Sale" or words of similar import and meaning, the advertised price of any merchandise did not represent a reduction from the price at which respondents have made a bona fide offer to sell or have sold said merchandise on a regular basis for a reasonably substantial period of time in the recent, regular course of their business.

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

Therefore, the statements and representations as set forth in Para-

graphs Four and Five hereof were and are false, misleading and deceptive.

PAR. 7. In the course and conduct of their aforesaid business at all times mentioned herein, respondents have been in substantial competition, in commerce, with corporations, firms and individuals engaged in the sale of merchandise of the same general kind and nature as the aforesaid merchandise sold by the respondents.

PAR. 8. The use by respondents of the aforesaid false, misleading and deceptive statements, 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' merchandise 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.

#### 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 Dallas Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act; and

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

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, now in further conformity with the procedure pre-

scribed 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, Electronic Centers, is a corporation organized, existing and doing business under and by virtue of the laws of the State of Texas, with its office and principal place of business located at 5323 Wesleyan, city of Houston, State of Texas.

Respondent Harvey Zinn, is an officer of said corporation. He formulates, directs and controls the policies, acts and practices of said corporation, and his principal office and place of business is located at the above-stated address.

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

#### ORDER

*It is ordered,* That respondent Electronic Centers, a corporation, its successors and assigns, and its officers, and Harvey Zinn, individually and as an officer, and respondents' agents, representatives and employees directly or through any corporation, subsidiary, division or other device, in connection with advertising, offering for sale and sale of electronic equipment and other products in commerce as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

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

2. Using the words "Regular," "Reg.," or any other words of similar import or meaning to refer to any price amount which is in excess of the price at which such merchandise has a reasonably substantial period of time in the recent, regular course of their business, or misrepresenting, in any manner the usual or regular selling price of respondents' merchandise.

3. Representing, directly or by implication, that by purchasing any of said merchandise, customers are afforded savings amounting to the difference between respondents' stated price and respondents' former price unless such merchandise has been sold or offered for sale in good faith at the former price by respondents for a

reasonably substantial period of time in the recent, regular course of their business.

4. Misrepresenting, directly or by implication, the amount of savings available to purchasers or prospective purchasers of respondents' merchandise at retail.

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

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

*It is further ordered,* That in the event that respondent merges with another corporation or transfers all or a substantial part of its business or assets to any other corporation or to any other person, respondent shall require said successor or transferee to file promptly with the Commission a written agreement to be bound by the terms of this order; *Provided,* That if respondent wishes to present to the Commission any reasons why said order should not apply in its present form to said successor or transferee, it shall submit to the Commission a written statement setting forth said reasons prior to the consummation of said succession or transfer.

*It is further ordered,* That the respondent corporation shall forthwith distribute a copy of this order to each person engaged in the writing or placing of advertising for Electronic Centers.

*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 emergency 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.

IN THE MATTER OF  
MOTA-NU, INC., ET AL.

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

*Docket C-2503. Complaint, Mar. 20, 1974—Decision, Mar 20, 1974*

Consent order requiring a Fort Worth, Tex., manufacturer of gasoline and other oil additives for internal combustion engines, among other things to cease misrepresenting the performance or effectiveness of its products, and failing to maintain adequate records to substantiate its claims.

*Appearances*

For the Commission: *Joseph L. Hickman.*

For the respondents: *James T. Blanton, Fort Worth, Tex.*

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 Mota-Nu, Inc., a corporation, and Joe F. Williams, individually and as an officer of said corporation, hereinafter sometimes 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 Mota-Nu, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Texas with its principal office and place of business located at 2909 Evans Street, Fort Worth, Tex.

Respondent Joe F. Williams 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 now, and for some time last past have been engaged in the manufacturing, advertising, offering for sale, sale and distribution of gasoline and oil additives for internal combustion engines to the public. Respondents advertise that the gasoline additive, when combined with the "secret metal pellet," will clean the engine, fill in scratched, worn and pitted surfaces of pistons, rings, valves, cylinder walls, will increase engine compression, and decreases oil burning.

PAR. 3. In the course and conduct of their business, respondents ship or cause to be shipped products from their facilities in the State of Texas

## Complaint

to consumers, service stations, auto supply and discount operations throughout the United States. There is now and has been for several years a constant and substantial flow of respondents' 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 consumers to purchase Mota-Nu products, the respondents have made numerous statements in advertisements on radio networks in the State of Texas and the various other States of the United States.

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

MOTA-NU, THE MIRACLE MOTOR-CONDITIONER, GIVES YOUR CAR OR TRUCK ENGINE A RING AND VALVE PLATING JOB WHILE YOU DRIVE. MOTA-NU HAS BEEN LABORATORY AND CONSUMER-TESTED IN THOUSANDS OF ENGINES IN THE UNITED STATES, EUROPE AND MEXICO. IT HAS BEEN PROVEN BEYOND THE SHADOW OF A DOUBT THAT MOTA-NU INCREASES ENGINE COMPRESSION AND DECREASES OIL BURNING. MOTA-NU IS ABSOLUTELY GUARANTEED FOR USE IN ALL TYPES OF INTERNAL COMBUSTION ENGINES, GASOLINE OR DIESEL. MOTA-NU WILL SAVE YOU MONEY ON OPERATING EXPENSES WHEN USED IN AUTOMOBILES, TRUCKS, STATIONARY ENGINES, BOATS, MOTORCYCLES, LAWNMOWERS OR ANY ENGINE. AND THIS IS IMPORTANT, YOU USE IT ONLY ONE TIME. JUST POUR IT IN YOUR GAS TANK, AND ONE TREATMENT IS GUARANTEED FOR THE LIFE OF THAT ENGINE. IF IT DOESN'T PERFORM AS ADVERTISED, YOUR MONEY WILL BE CHEERFULLY REFUNDED. YOU CANNOT LOSE \* \* \*. YOU CAN ONLY SAVE MONEY \* \* \*. FOR QUICKEST DELIVERY, SEND A CHECK OR MONEY ORDER FOR \$6.95 POSTPAID \* \* \*. P. O. BOX 3\*\*\*. FORT WORTH, TEXAS\*\*\*. M-O-T-A-N-U\*\*\*. MOTA-NU\*\*\*.

MOTA-NU, THE MIRACLE MOTOR CONDITIONER, GIVES YOUR CAR OR TRUCK A RING AND VALVE-PLATING JOB WHILE YOU DRIVE. MOTA-NU RECONDITIONS YOUR ENGINE AND HELPS PREVENT THE NEED OF AN EXPENSIVE RING AND VALVE JOB. MOTA-NU HAS BEEN LABORATORY-TESTED AND CONSUMER-TESTED IN THOUSANDS OF ENGINES, IN THE UNITED STATES, MEXICO AND EUROPE. THE RESULTS SHOW THAT MOTA-NU INCREASES ENGINE COMPRESSION AND DECREASES OIL BURNING IN ALL TYPES OF INTERNAL COMBUSTION ENGINES, GASOLINE OR DIESEL. THIS INCLUDES AUTOMOBILES, TRUCKS, STATIONARY ENGINES, BOATS, MOTORCYCLES, LAWNMOWERS, ANY ENGINE. AND THIS IS IMPORTANT \* \* \* YOU USE IT JUST ONE TIME. JUST ONE TREATMENT FOR ONLY \$6.95, AND IT'S CONDITIONALLY GUARANTEED OR YOUR MONEY BACK. GET MOTA-NU AT YOUR LOCAL SERVICE STATION, AUTO SUPPLY STORE, SEND A CHECK OR MONEY ORDER FOR \$6.95, THAT'S \$6.95 TO MOTA-NU \* \* \* M-O-T-A-N-U \* \* \* MOTA-NU TO KCEN-TV, WACO, TEXAS.

PAR. 5. By making the above-quoted statements and others similar thereof, but not expressly set forth herein, respondents represent, and



have represented, directly or by implication, that each of the statements respecting the reconditioning of engines by using said product has been substantiated by respondents by adequate and well-controlled testing in the United States, Mexico and Europe.

PAR. 6. In truth and in fact, the aforesaid statements respecting the said product, "Mota-Nu" have not been substantiated by respondents by adequate and well-controlled tests prior to the making of such statements.

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

PAR. 7. The making of any statement or representation, directly or by implication, that Mota-Nu will give one's car or truck a ring and "valve-plating" job while driving, or any other statement or representation regarding the performance or effectiveness of such product, when such statements or representations are not supported by prior, fully documented, adequate, and well-controlled scientific studies or tests is in itself an unfair practice.

PAR. 8. Respondents at all times mentioned herein have been and now are in substantial competition in commerce with individuals, firms and corporations engaged in the sale and distribution of gasoline additives of the same general kind and nature as that sold by respondents.

PAR. 9. The use by respondents of the aforesaid 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 purchase of substantial quantities of respondents' product. As a result thereof, substantial trade has been and is being unfairly diverted to respondents from their competitors.

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.

#### 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 Dallas Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act; and

The respondents and counsel for the Commission having thereafter

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

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Mota-Nu, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Texas, with its office and principal place of business located at 2909 Evans Street, city of Fort Worth, State of Texas.

Respondent Joe F. Williams is an officer of said corporation. He formulates, directs and controls the policies, acts and practices of said corporation, and his principal office and place of business is located at the above-stated address.

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 Mota-Nu, Inc., a corporation, its successors and assigns, its officer, and Joe F. Williams, individually and as an officer, and respondents' agents, representatives and employees directly or through any corporation, subsidiary, division or other device, in connection with the advertising, offering for sale or distribution of additives for automobile fuel, lubricating or cooling substances, or any other product in commerce as "commerce" is defined in the Federal Trade Commission Act do forthwith cease and desist from:

1. Making, directly or by implication, any statement or representation regarding the performance or effectiveness of such product unless such statement or representation is based upon and supported by prior, fully documented, adequate and well-controlled scientific studies or tests;
2. Failing to maintain copies of all documentation for the studies

or tests referred to in Subparagraph (1) of this paragraph.

*It is further ordered,* That the respondent corporation shall forthwith distribute a copy of this order to each of its employees and advertising agencies, now and in the future, involved in the writing or placement of advertising or sales.

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

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

*It is further ordered,* That respondents shall, within sixty (60) days after service of the order upon it, file with the Commission a report, in writing, signed by such respondents, 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

CHARLES REYNOLDS, INC., TRADING AS CHARLES  
REYNOLDS HAIR CENTER, ET AL.

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

*Docket C-2504. Complaint, Mar. 20, 1974—Decision, Mar. 20, 1974*

Consent order requiring a Cambridge, Mass. promoter of a hair replacement "System," among other things to cease misrepresenting that after application of its hair replacement "System," the hair looks and can be cared for like natural hair, and can be cared for by the individual without professional or skilled assistance or additional costs. The order further requires clear and conspicuous disclosures involving surgical procedure, discomfort and pain, risk of infection, skin disease and scarring, continuing special care which may involve additional costs; prior consultation with a physician; and right of rescission of contracts.

*Appearances*

For the Commission: *William P. McDonough.*

For the respondents: *Pro se.*

## 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 Charles Reynolds, Inc., a corporation, trading as Charles Reynolds Hair Center, and Raymond M. Paron, 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. Respondent Charles Reynolds, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Georgia with its principal office and place of business located at 89 First Street, Cambridge, Mass.

Respondent Raymond M. Paron 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.

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

PAR. 2. Respondents operate the Charles Reynolds Hair Center and promote on their own behalf, among others, a hair replacement system (hereinafter sometimes referred to as the "System"). The system involves a surgical procedure whereby a stainless steel thread, treated with teflon, is used to stitch from five to nine hollow metal cylinders or clips into the scalps of respondent's customers. A mesh-type base to which wefts of hair have been sewn is then affixed to the cylinders or clips. Charles Reynolds Hair Center (hereinafter sometimes referred to as Center) sells, installs, and maintains the system, except that the surgical procedure itself is performed by a medical doctor.

PAR. 3. In the course and conduct of their business, respondents promote the system by advertising in newspapers of general circulation which are distributed across state lines, and by mailing promotional literature to prospective customers who respond to such advertising. As a result of such newspaper advertising, and literature mailing, respondents have maintained a substantial course of trade in commerce, as "commerce" is used in Sections 5 and 12 of the Federal Trade Commission Act, and as a result of such newspaper advertising and mailing of promotional literature, have disseminated and caused to be disseminated false advertisements by United States mails, within the meaning of Section 12(a)(1) of the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their business, and for the

purpose of inducing the purchase of the hair replacement system, respondents, directly have made numerous statements and representations in advertisements inserted in newspapers of general circulation and in other promotional literature. Typical of the statements and representations contained in said advertisements and promotional literature, but not all inclusive, are the following:

Quickly, simply, permanently!

Safe, secure, permanent.

Comb it, brush it, tug it.

Medically tested, Medically perfected \* \* \*

Entirely new surgical implant method.

Now in less than three hours you can have a full head of hair again.

Swim, sleep, shower, towel dry.

Your second head of hair.

Think of it, in just 3 hours you can look your old self again.

You can treat your second head of hair just like your first! Brush it, comb it, shampoo it, towel dry it and style it just like your very own.

Written Guarantee

Each is completely guaranteed upon completion to satisfy you or there's absolutely no cost or obligation. Only Charles Reynolds offers a guarantee this comprehensive.

PAR. 5. Through the use of the above advertisements, and others of similar import and meaning but not expressly set out herein, and by oral statements and representations made by employees and agents of the respondents, respondents have represented directly or by implication that:

1. The hairpiece applied has characteristics of natural hair, including the following:

(a) The same appearance as natural hair upon normal observation and upon extreme closeup examination.

(b) It may be cared for like natural hair, particularly in that actions such as washing, combing, brushing and shampooing may be performed on it in the same manner as might a person with natural hair.

(c) The wearer may engage in physical activities with as much disregard for his hairpiece as might a person with natural hair.

2. After the system has been applied, the wearer can care for it himself, and will not have to seek professional or skilled assistance in maintaining the system, and that the customer will not incur charges over and above the charge for installing the system.

3. Respondents' products and the system are sold with a satisfaction guarantee, without condition or limitation for an indefinite period of time.

PAR. 6. In truth and in fact,

1. The hairpiece applied does not have the characteristics of natural hair. The system involves stainless steel teflon-coated sutures which are

1474

FEDERAL TRADE COMMISSION DECISIONS  
Complaint

83 F.T.C.

BOSTON SUNDAY HERALD ADVERTISER, APRIL 22, 1973

# ATTENTION BALD MEN!



UNRETOUCHED PHOTOS OF BEFORE AND AFTER APPLICATION

## SURGICAL IMPLANT NEWS



THE COMPLETE  
MEDICAL PROCEDURE  
IS PERFORMED BY  
A LICENSED  
PHYSICIAN

MEDICALLY TESTED • MEDICALLY PERFECTED • MEDICALLY APPLIED  
Now in less than three hours you can have a full head of hair again. Quickly, simply, permanently! Comb it, brush it, tug it. No hair replacement available can match the entirely new Surgical Implant method available only at Charles Reynolds. Don't settle for less, and don't be misled by exaggerated advertising claims made by other concerns.



CALL OR VISIT FOR FREE INFORMATION  
**492-4797**  
OPEN WEDNESDAY AND FRIDAY EVENING UNTIL 8 P.M.  
FREE PARKING

**Charles Reynolds**  
hair center

89 First Street, Cambridge, Mass. 02141  
Directly Across from Lechmere Sales in Cambridge

Please send me free facts and information on the Surgical Implant. (Material mailed in plain envelope).

Name \_\_\_\_\_ State \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ Telephone \_\_\_\_\_  
Zip \_\_\_\_\_

AT THE HAIR RECEPTOR WEARERS DURING APPLICATION COMPLETION

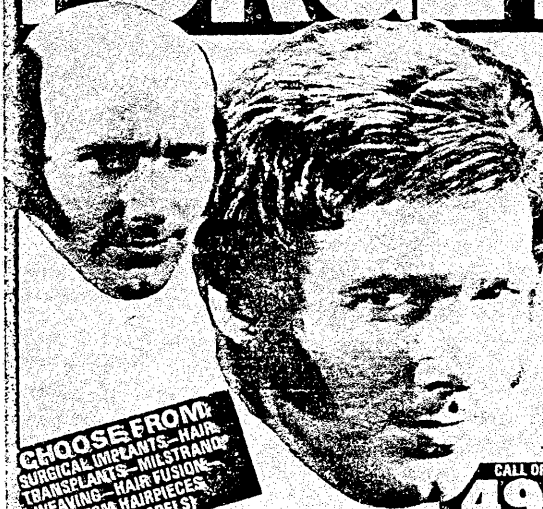


SAFE • SECURE • PERMANENT

MAJOR CREDIT CARDS ACCEPTED • COMPLETE HAIR REPAIR CENTER

SUNDAY HERALD ADVERTISER, MAY 20, 1973

# BALD? FORGET IT!



Perhaps you presently wear a hairpiece, hairweave, or have a surgical implant. Maybe you're just thinking about one. If you are, then **YOU OWE IT TO YOURSELF** to call us today. Why? Because Charles Reynolds has just developed the all-new Surgical Implant and Milstrand Method. Medically tested, medically perfected and medically applied, it's safe, secure and permanent. Available only at Charles Reynolds Studio For Men. For quality, appearance and safety, no hair replacement method today measures up to the all-new Surgical Implant and Milstrand Method. Get the story first hand... from Charles Reynolds and then you decide.

### THE NEWEST WAYS TO REPLACE HAIR... WITH OR WITHOUT SURGERY

Whichever method you choose, there's no guesswork. Each is completely guaranteed upon completion to satisfy you, or there's absolutely no cost or obligation. Only Charles Reynolds offers a guarantee this comprehensive.

CALL OR VISIT FOR FREE INFORMATION.

## 492-4797

OPEN WEDNESDAY AND FRIDAY EVENINGS UNTIL 9 P.M.  
PLENTY OF FREE PARKING.

**CHOOSE FROM:**  
SURGICAL IMPLANTS - HAIR  
TRANSPLANTS - MILSTRAND  
WEAVING - HAIR PIECES  
CUSTOM HAIRPIECES  
(THREE MODELS)

**SEND FOR FREE BROCHURE TODAY**  
DIRECTLY ACROSS FROM LECHMERE SALES  
PLENTY OF FREE PARKING  
ALL MAJOR CREDIT CARDS ACCEPTED

**charles reynolds**  
hair center

89 First Street, Cambridge, Mass. 02141

Please send me information in a plain white envelope.

Name \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_  
Telephone \_\_\_\_\_ Zip \_\_\_\_\_

D&P 1, Inc. BA 5-70

**SPECIAL  
GET-ACQUAINTED OFFER**  
HAIR WEAVE TIGHTENING  
**ONLY \$16.00**  
ALSO INCLUDES: HAIRCUT, SHAMPOO, AND STYLE.  
(Place of purchase not important)  
Please present this coupon after services have been completed.

stitched into the scalp by a surgical procedure and which may be rejected by the body. The hairpiece differs from natural hair in many respects, including the following:

(a) It does not have the same appearance as natural hair in a substantial number of instances. It is often discernible as a hairpiece or toupee upon normal observation, and upon extreme close-up examination.

(b) It cannot be cared for like regular hair, but requires special care and handling. Strong pulling on the hair, such as may be expected to occur in washing, combing, brushing, and shampooing, can cause pain because of the pressure exerted on the sutures in the scalp, may cause bleeding, and may cause the sutures to pull out. As a consequence, washing the hair and scalp requires extra care. Unless extra care is taken while washing the hair and scalp, foreign particles and dead skin tissue may accumulate beneath the base and become a significant source of irritation. The hair styles into which the hairpiece may be combed or brushed without professional treatments are limited.

(c) The wearer may not engage in physical activities with as much disregard for his hairpiece as might a person with natural hair. The wearer must at all times be careful that the hair does not pull or get pulled, or become tangled, or strained. Discomfort and pain may be caused by common actions, such as rolling the head on a pillow during sleep.

2. The wearer cannot in most instances care for the hairpiece himself; he must seek professional or skilled assistance on many occasions. Medical problems associated with the surgical procedure, or the continuing presence of stainless steel thread in the scalp, may require subsequent visits to a medical doctor. Wearers having some natural hair under the hair applied by respondents would have to have a haircut at regular intervals and such hair would be difficult to cut without skilled assistance. A substantial additional charge for services would be incurred. Respondents' applied hair is subject to bleaching in sunlight and other discoloration normally associated with hairpieces, and where the hairpiece has been color-dyed, loss of dye through washing and normal wear; thus, replacement wefts of hair or hairpieces are required at intervals in order to maintain a color match with any natural hair the wearer may have. Because of the difficulty in washing the hair and scalp described previously in Paragraph Six, assistance is often required to wash the hair.

3. Respondents' products and the system are not guaranteed without condition or limitation for an indefinite period of time. Such guarantee as may be provided is subject to numerous terms, conditions, and limitations and it fails to set forth the real nature and extent of the



guarantee and the manner in which the guarantor will perform thereunder.

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

PAR. 7. In the course and conduct of their business, respondents, have represented in advertisements the asserted advantages of their system, as hereinbefore described. In no case have respondents' newspaper advertisements disclosed:

(a) That clients may experience discomfort and pain as a result of the surgical procedure, from the teflon-coated stainless steel sutures themselves, and from pulling normally incident to wearing the hairpiece;

(b) That clients will be subject to the risk of irritation, infections and skin diseases as a result of the surgical procedure and as a result of the stainless steel thread remaining in the scalp; and

(c) That permanent scarring to the scalp may result from the required surgical procedures, and as a result of the stainless steel thread remaining in the scalp.

The consequences described in this paragraph have in fact occurred, and to a reasonable medical certainty can be expected to occur, and respondents knew, and had reason to know, that they could be expected to occur. Furthermore, the surgical procedure has not been used in conjunction with respondents' system for a sufficient experimental period to determine the extent of seriousness of the above side effects, and whether there are any other side effects, including, but not limited to, rejection of the teflon-coated stainless steel thread through the human body's natural rejection process.

Therefore, the advertisements referred to in Paragraph Seven are false and misleading and the acts and practices referred to in said paragraph are unfair and deceptive.

PAR. 8. For the purpose of inducing the purchase of their hair replacement system, respondents entice members of the purchasing public to their center with advertisements, such as, "Your second Head of Hair," as a solution to baldness and like advertisements to attract members of the purchasing public concerned about their hair loss, and with offers of free information without any obligations. In most cases respondents do not disclose details of their system unless and until a prospect visits their center. When members of the purchasing public have visited the center, they have been subjected to sales pressure, for the purpose of persuading them to sign a contract for the application of the system, and to make a substantial down payment, without being afforded a reasonable opportunity to consider and comprehend the scope and extent of the contractual obligations involved, the seriousness of the surgical procedure and the possibilities of discomfort, pain, dis-

ease, or disfigurement related to the continued presence of the stainless steel thread in the scalp. Persons are urged to sign such contracts and make such down payments, through the use of sales presentations employing the following practice, among others:

Inducing prospects to sign contracts and/or make downpayments before they have consulted a medical doctor and freely and openly discussed with such doctor the medical risks and consequences of the surgical procedure, and of the stainless steel thread being embedded in their scalp.

Such consultations typically occur immediately before the commencement of surgery, by which time the client is likely to feel pressured to go through with the application.

Therefore, the advertisements referred to in Paragraph Eight were and are false and misleading, and the acts and practices set forth in such paragraph were and are false and deceptive.

PAR. 9. In the course and conduct of their business, and at all times mentioned herein, respondents have been and are in substantial competition in commerce with corporations, firms, and individuals, in the sale of cosmetics, devices and treatments for the concealment of baldness.

PAR. 10. The use by respondents of the above unfair and deceptive representations and practices has had, and now has, the capacity and tendency to mislead consumers, without affording them reasonable opportunity to consider and comprehend the scope and extent of the contractual obligations involved, or the seriousness of the surgical procedure, and the possibilities of discomfort, pain, disease or disfigurement related thereto, and related to the continual presence of the teflon-coated stainless steel thread in the scalp, or to compare prices, techniques, and devices available from competing corporations, firms, and individuals selling baldness concealment cosmetics, devices, and treatments to the purchasing public.

PAR. 11. The respondents' acts and practices alleged herein are to the prejudice and injury of the purchasing public, and to respondents' competitors, and 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, and false advertisements disseminated by United States mails, and in commerce, in violation of Section 12 of the Federal Trade Commission Act.

#### DECISION AND ORDER

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

by the Commission, would charge respondents with violation of the Federal Trade Commission Act; and

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

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Charles Reynolds, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Georgia with its office and principal place of business located at 89 First Street, Cambridge, Mass.

Respondent Raymond M. Paron is an officer of said corporation. He formulates, directs and controls the policies, acts and practices of said corporation, and his principal office and place of business is located at the above-stated address.

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 Charles Reynolds, Inc., a corporation, trading as Charles Reynolds Hair Center or under any other trade name or names, its successors and assigns, and Raymond M. Paron, individually and as an officer of said corporation (hereinafter sometimes referred to as "respondents"), and respondents' officers, agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the advertising, offering for sale, sale or distribution of any hair replacement product or process involving surgical implants (hereinafter sometimes referred to as the "System"), in commerce, as "commerce" is defined in the Federal Trade Commission Act, or by the United States mails within the mean-

ing of Section 12(a)(1) of the Federal Trade Commission Act, do forthwith cease and desist from representing, directly or by implication:

1. That after the system has been applied, the hair applied has the following characteristics of natural hair;
  - a. The same appearance in all applications as natural hair, upon normal observation, and upon extreme close-up examination;
  - b. It may be cared for like natural hair where such care involves possible pulling on the hair;
  - c. The wearer may engage in physical activity and movement with the same disregard for his hair as he would if he had natural hair.

2. That after the system has been applied, the wearer can care for it himself, and will not have to seek professional or skilled assistance in maintaining the system, and that the customer will not incur maintenance costs over and above the cost of applying the system.

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

*It is further ordered,* That respondents, in advertising and in all oral sales presentations, offering for sale, selling or distributing the system, disclose clearly and conspicuously that:

1. The system involves a surgical procedure resulting in the implantation of stainless steel sutures in the scalp, to which hair is affixed.
2. By virtue of the surgical procedure involving implantation of teflon coated stainless steel sutures in the scalp, and by virtue of the teflon coated stainless steel sutures remaining in the scalp, there is a high probability of discomfort and pain, and a risk of infection, skin disease and scarring.
3. The system has been in use for too short a period of time to determine to a reasonable medical certainty the extent or seriousness of the above-described side effects, or whether there are other side effects.
4. Continuing special care of the system is necessary to minimize the probabilities and risks referred to in Subparagraph Two of the paragraph, and such care may involve additional costs for medications and assistance.

5. The purchaser is advised to consult with his personal physician about the implant process before deciding whether to purchase it.

Respondents shall set forth the above disclosures separately and conspicuously from the balance of each advertisement or presentation used in connection with the advertising, offering for sale, sale or distribution of the system, and shall devote no less than 15 percent of each advertisement or presentation to such disclosures. *Provided however*, That in advertisements which consist of less than ten column inches in newspapers or periodicals, and in radio or television advertisements with a running time of one minute or less, respondents may substitute the following statement, in lieu of the above requirements:

Warning: This application involves surgery whereby stainless steel sutures are placed in the scalp. Discomfort, pain, and medical problems may occur. Continuing care is necessary. Consult your own physician.

No less than 15 percent of such advertisements shall be devoted to this disclosure, such disclosure shall be set forth clearly and conspicuously from the balance of each of such advertisements, and if such disclosure is in a newspaper or periodical, it shall be in at least eleven point type.

*It is further ordered*, That respondents provide prospective purchasers with a separate disclosure sheet containing the information required in the immediately preceding paragraph of this order, Subparagraphs One through Five, thereof, and that respondents require that such prospective purchasers, subsequent to receipt of such disclosure sheet, consult with a duly licensed physician who is not associated, directly or indirectly, financially or otherwise, with the respondents regarding the nature of the surgery to be done, the probabilities of discomfort and pain, and risks of infection, skin disease and scarring.

*It is further ordered*, That no contract for application of respondents' system shall become binding on the purchaser prior to midnight of the third day, excluding Sundays and legal holidays, after the day of the purchasers's above-described consultation with a duly licensed physician who is not associated, directly or indirectly, financially or otherwise, with the respondents, or after the day on which said contract for application of the system was executed, whichever day is later, and that:

1. Respondents shall clearly and conspicuously disclose, orally prior to the time of sale, and in writing on any contract, promissory note or other instrument, executed by the purchaser in connection with the sale of the system, that the purchaser may rescind or cancel any obligation incurred, by mailing or delivering a notice of

cancellation to the office responsible for the sale prior to midnight of the third day, excluding Sundays and legal holidays, after the day of the purchaser's above-described consultation with a duly licensed physician or after the day on which said contract for application of the system was executed, whichever day is later.

2. Respondents shall provide a separate and clearly understandable form which the purchaser may use as a notice of cancellation.

3. Respondents shall not negotiate any 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 day of the purchaser's above-described consultation with a duly licensed physician, or after the day on which said contract for application of the system was executed, whichever day is later.

4. Respondents shall obtain from each purchaser a certificate signed by the physician who was consulted as required by this order, such certificate specifying that the said physician has explained to the purchaser the nature of the surgery to be done, and has advised him of the probabilities of discomfort and pain, and risks of infection, skin disease and scarring, and specifying the date and approximate time of the consultation; and respondents shall retain all such certificates for three years.

*It is further ordered,* That respondents serve a copy of this order upon each physician participating in application of respondents' system, and obtain written acknowledgement of the receipt thereof. Respondents shall retain such acknowledgements for so long as such persons continue to participate in the application of respondents' system.

*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, licensees, or franchisees, or any other change in the corporation which may affect compliance obligations arising out of the order.

*It is further ordered,* That in the event that the corporate respondent merges with another corporation or transfers all or a substantial part of its business or assets to any other corporation or to any other person, said respondent shall require such successor or transferee to file promptly with the Commission a written agreement to be bound by the terms of this order; *Provided,* That if said respondent wishes to present to the Commission any reasons why said order should not apply in its present form to said successor or transferee, it shall submit to the Commission a written statement setting forth said reasons prior to the consummation of said succession or transfer.

PEEL-O-MATIQUE, INC., ET AL.  
Complaint

*It is further ordered*, That respondents forthwith distribute a copy of this order to each of their operating divisions, offices, departments or affiliated corporations.

*It is further ordered*, That respondents shall forthwith deliver a copy of this order to cease and desist to all present and future personnel of respondents engaged in the offering for sale, sale or distribution of products, and that respondents secure a signed statement acknowledging the receipt of said order from each such person.

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

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

IN THE MATTER OF  
PEEL-O-MATIQUE, INC., ET AL.  
CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION  
OF SECTIONS 5 AND 12 OF THE FEDERAL TRADE COMMISSION ACT

*Docket C-2505. Complaint, March 21, 1974—Decision, March 21, 1974*

Consent order requiring an Anaheim, Calif., manufacturer of a cosmetic called "Peel-O-Matique," among other things to cease misrepresenting that its products remove or prevent wrinkles, lines on the body, and skin discolorations; that the products are safe, beneficial, or have any medical or therapeutic properties; that the aging processes in humans; and to cease republishing and disseminating unsubstantiated claims in written materials. The order further requires clear and conspicuous disclosures in advertising and promotional materials that the product will not prevent or remove wrinkles; in written instructions for use, that a physician be consulted before use in cases of acne or skin irritations; and the withdrawal, recall and retrieval of advertising material containing any statements proscribed by this order.

Appearances

For the Commission: R. S. Geier.

For the respondents: Carl K. Osborne, Beverly Hills, Calif.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and

## Complaint

by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Peel-O-Matique, Inc., a corporation and JoJo Andoni Marengo, individually and as an officer, and Antoine Andoni Marengo, individually and as a former officer of said corporation, hereinafter sometimes referred to as respondents, have violated the provisions of Sections 5 and 12 of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Peel-O-Matique, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of California, with its principal office and place of business located at 1440 South State College Boulevard, Building 6 Suite J, Anaheim, Calif.

Respondent JoJo Andoni Marengo 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. Respondent Antoine Andoni Marengo, is a former officer of the corporate respondent. Together with JoJo Andoni Marengo, he formulated, directed and controlled the policies acts and practices of the corporate respondent, at the time this investigation was initiated. His address is the same as that of the corporate respondent.

PAR. 2. Respondents are now, and for some time last past have been engaged in the advertising, offering for sale, sale and distribution of Peel-O-Matique, a "drug" and "cosmetic" as these terms are defined in Section 12 of the Federal Trade Commission Act.

PAR. 3. In the course and conduct of their business, respondents have disseminated and caused to be disseminated certain advertisements and other written statements by United States mails and by other means to stores and individuals in various parts of the United States, in commerce, as "commerce" is defined in the Federal Trade Commission Act. These advertisements and written materials have been disseminated for the purpose of inducing and with the likelihood of inducing, directly or indirectly, the purchase of Peel-O-Matique.

PAR. 4. Typical and illustrative of the advertisements and written materials are the following:

1. Wrinkles \* \* \* can be removed with a gentle new creme product, Peel-O-Matique;
2. Smile lines, aging-lines, laugh-lines, thought-lines are minimized and subtracted gently;
3. \* \* \* Welcome to a demonstration of the process which removes the horny outer layer of skin \* \* \* which is responsible for \* \* \* broken capillaries, dark spots, general flaking, enlarged and clogged pores, certain allergies, etc.;
4. Peel-O-Matique is \* \* \* completely harmless—you could use it 500 times a day;



5. Peel-O-Matique is "between a medical and cosmetic treatment;"
6. Peel-O-Matique \* \* \* will slow down the aging process by 40 percent;
7. Age is a disease and it has to be combated like any other; and
8. Women's faces \* \* \* age 50 percent faster than men's \* \* \*

In addition, statements numbered one and two above are depicted and represented by a picture which shows a woman's face bisected by a straight line with one-half of the face wrinkled and lined and the other half smooth and free of wrinkles and lines.

PAR. 5. Through the use of the above statements and representations, and others similar thereto but not specifically set forth herein, respondents have represented directly or by implication that:

1. Peel-O-Matique will prevent and/or remove wrinkles and lines on the face, hands or other parts of the body;
2. Peel-O-Matique will prevent and/or remove broken capillaries, discolorations, enlarged pores on the skin and will prevent "certain allergies;"
3. Unrestricted use of Peel-O-Matique is safe and beneficial.
4. Peel-O-Matique is something more than a cosmetic product and is to some extent a medical treatment;
5. Peel-O-Matique will retard the aging process in humans;
6. Age is a disease; and
7. Women's faces age 50 percent faster than men's.

PAR. 6. In truth and in fact:

1. Peel-O-Matique will not prevent and/or remove wrinkles and lines on the face, hands or other parts of the body;
2. Peel-O-Matique will not prevent and/or remove broken capillaries, discolorations and enlarged pores on the skin and will not prevent any allergies;
3. Peel-O-Matique should not be used on acned or irritated skin without prior consultation of a physician.
4. Peel-O-Matique has no therapeutic effect and is not a medical treatment;
5. Peel-O-Matique will not retard the aging process in humans;
6. Age is not a disease; and
7. Women's faces do not age faster than men's by 50 percent or any other percentage rate or degree.

PAR. 7. Therefore, the advertisements and other statements and representations referred to in Paragraph Three, and set forth in Paragraphs Four and Five, were and are false, misleading and deceptive in

material respects and constituted, and now constitute, "false advertisements" as that term is defined in the Federal Trade Commission Act.

PAR. 8. The respondents' use of the aforesaid false, misleading and deceptive statements and representations and the dissemination of the aforesaid "false advertisements" has had, and now has, the tendency and capacity to mislead and deceive members of the public into the purchase of substantial quantities of the product Peel-O-Matique in the erroneous and mistaken belief that said statements and representations were and are true.

PAR. 9. In the course and conduct of their business, and at all times mentioned herein, respondents have been and are now in substantial competition in commerce with corporations, firms and individuals engaged in the advertisement, sale, offering for sale or distribution of drug and cosmetic products of the same general kind and nature as those sold by respondents.

PAR. 10. The aforesaid alleged acts and practices of respondents 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 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 Seattle Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act; and

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

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period

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

1. Respondent Peel-O-Matique, 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 1440 South State College Boulevard, Building 6, Suite J, Anaheim, Calif.

Respondent JoJo Andoni Marengo is an officer of Peel-O-Matique, Inc. He formulates, directs and controls the policies, acts and practices of Peel-O-Matique, Inc., and his address is the same as that of said corporation.

Respondent Antoine Andoni Marengo is a former officer of Peel-O-Matique, Inc. Together with JoJo Andoni Marengo, he formulated, directed and controlled the policies, acts and practices of Peel-O-Matique, Inc. at the time this investigation was initiated. His address is the same as that of said corporation.

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 Peel-O-Matique, Inc., a corporation, its successors and assigns, and its officers, JoJo Andoni Marengo, individually and as an officer of said corporation, Antoine Andoni Marengo, individually and as a former officer of said corporation, and respondents' agents, representatives and employees, directly or through any corporation, subsidiary, division or other device in connection with the advertising, offering for sale, sale, or distribution of the product Peel-O-Matique or any other drug or cosmetic product as defined in Section 15 of the Federal Trade Commission Act as amended, in commerce, as "commerce" is defined in the Federal Trade Commission Act, for the purpose of inducing or which is likely to induce, directly or indirectly, the purchase of said products or for the purpose of inducing, or which is likely to induce, directly or indirectly, the purchase in commerce of said products, do forthwith cease and desist from:

A. Representing in writing, orally, visually or in any other manner, directly or by implication:

1. That such products will remove or prevent wrinkles or lines on the face, hands or other parts of the body;
2. That such products will remove or prevent discolorations,

broken capillaries or any other disorder of the skin;

3. That unrestricted use of such products is safe or beneficial; and

4. That such products have any medical or therapeutic properties or effect,

Unless, at the time the statement or representation is made, it has been fully substantiated by controlled scientific tests, the results and methodology of which are available for public inspection at the point of retail sale, and any advertisement or other written material in which the above statements or representations are made shall inform the consumer of the availability of the substantiating information and of the manner and place in which it may be inspected.

B. Representing in writing, orally, visually or in any other manner, directly or by implication:

1. That such products will retard the aging process in humans or produce any similar effect;

2. That the aging of humans is a disease; and

3. That women's faces age faster than men's by 50 percent or any other percentage, degree or extent.

C. Republishing, disseminating or causing to be republished or disseminated any statements or representations from newspaper articles or other written materials for the purpose of inducing, or which are likely to induce, directly or indirectly, the purchase of Peel-O-Matique or such other products, unless at the time the statement or representation is republished or disseminated, it has been fully substantiated by controlled scientific tests, the results and methodology of which are available for public inspection at the point of retail sale, and any such newspaper articles or written materials shall inform the consumer availability of the substantiating information and of the manner and place in which it may be inspected.

## II

*It is further ordered*, That respondents include or cause to be included clearly and conspicuously:

A. In each advertisement, advertising mat or writing in promotion of the product Peel-O-Matique, with nothing to the contrary or in mitigation thereof, the following disclosure:

This product will not prevent or remove wrinkles, lines or discolorations on the skin.

The above disclosure shall be made in print of at least the same size as the majority of other words in the advertisements, shall be made

the advertisements, shall be made more prominent than the majority of other words by boldness of the type, and shall be a contiguous part of the text of the advertisements or writings. This disclosure shall be included at all times in the manner prescribed herein beginning sixty (60) days after service of this order upon respondents until it has been substantiated as required in Section IA of this order that Peel-O-Matique prevents and/or removes wrinkles, lines and discolorations on the skin.

B. At all times from sixty (60) days after service of this order upon respondents, in any written instructions for use which accompany the product at the time of retail sale, the following statement:

In case of acne or skin irritation, consult a physician before use.

This statement shall be made in print of at least the same size as the majority of other words in said written instructions and be made more prominent than the majority of other words by boldness of the type.

### III

*It is further ordered,* That respondents provide a copy of the decision and order of the Federal Trade Commission in this matter to respondents' present and future officers, directors, agents, employees and distributors engaged in the promotion, sale or distribution of Peel-O-Matique. The respondents shall give written notice of the requirements of the Order to all other persons, partnerships, corporations and other entities engaged in the promotion, sale or distribution of Peel-O-Matique.

### IV

*It is further ordered,* That respondents shall institute or cause to be instituted a program of continuing surveillance adequate to reveal whether the acts and practices of respondents' employees, agents, distributors and all other persons, corporations or other entities engaged in the promotion, sale or distribution of Peel-O-Matique conform with the provisions and requirements of this order. In the event that nonconformity is determined and the same is not immediately ceased after notice by the respondents, respondents shall refrain from doing business in any manner with the nonconforming parties with regard to the promotion, sale or distribution of Peel-O-Matique until adequate assurances of conformity are obtained.

### V

*It is further ordered,* That respondents withdraw, recall and retrieve,

from each and every retail store and place of distribution or sale of Peel-O-Matique, or from any journal, magazine or other media in which the product is advertised or promoted, each and every advertisement, advertising mat or other writing which contains any of the statements or representations prohibited in Paragraph I of this order or which fails to make the affirmative disclosures required by Paragraph II of this order within sixty (60) days after service of this order upon respondents.

## VI

*It is further ordered,* That respondents shall, at all times subsequent to the effective date of this order, maintain complete business records for a period of not less than three (3) years relative to the manner and form of their continuing compliance with the above terms and provisions of this order. Such records shall include correspondence with retailers and advertisers, sales memoranda, policy directives, invoices and other pertinent documents, and shall be made available for inspection and photocopying by any authorized representative of the Federal Trade Commission upon reasonable notice at respondents' place of business or other properly designated location.

## VII

*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 or corporations, the creation or dissolution of subsidiaries, a change in corporate name or address, or any change in the corporation which may affect compliance obligations arising out of this order.

## VIII

*It is further ordered,* That the individual respondents named herein shall promptly notify the Commission of the discontinuance of their present business or employment and/or their affiliation with a new business or employment in the event of such discontinuance or affiliation. Such notice shall include respondents' current business address and a statement of the nature of the business or employment in which they are engaged, as well as a description of their duties and responsibilities.

## IX

*It is further ordered,* That the respondents 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  
FURNITURE SHOWROOMS OF CLARKSVILLE, INC., ET AL.  
CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION  
OF THE FEDERAL TRADE COMMISSION ACT

*Docket C-2506. Complaint, Mar. 21, 1974—Decision, Mar. 21, 1974*

Consent order requiring a Clarksville, Tenn. retailer and distributor of furniture and related merchandise, among other things to cease misrepresenting selling prices and mark-ups.

*Appearances*

For the Commission: *H. Marshall Korschun.*

For the respondents: *Daniel, Harvill, Batson & Nolan, Clarksville, Tenn.*

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 Furniture Showrooms of Clarksville, Inc., a corporation, and Robert L. Norris, individually and as an officer of said corporation, hereinafter sometimes 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 Furniture Showrooms of Clarksville, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Tennessee with its principal office and place of business located at 119 College Street, Clarksville, Tenn.

Respondent Robert L. Norris 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 now, and for some time last past have been, engaged in the advertising, offering for sale, sale and distribution of furniture and related merchandise to the public at retail.

PAR. 3. In the course and conduct of their business as aforesaid, respondents now cause, and for some time last past have caused, their said merchandise, when sold, to be shipped from their place of business in the State of Tennessee to purchasers thereof located in various States of the United States, and maintain, and at all times mentioned herein

have maintained, a substantial course of trade in said merchandise in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their aforesaid business and for the purpose of inducing the sale of their merchandise, the respondents have made, and are now making, numerous statements and representations, orally and on tags and labels attached to merchandise, through billboard advertising, and by signs on respondents' store and service vehicles. Included in these statements and representations is the claim that merchandise is sold for "Cost plus 10%."

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

Respondents' selling prices for furniture and related merchandise represent a 10% mark-up over wholesale cost.

PAR. 6. In truth and in fact:

Respondents' furniture and related merchandise are not customarily sold at prices representing a 10% mark-up over wholesale cost. In fact, respondents' mark-up over wholesale cost is substantially more than 10%.

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

PAR. 7. In the course and conduct of their aforesaid business, and at all times mentioned herein, respondents have been, and are, in substantial competition, in commerce, with corporations, firms and individuals in the sale of merchandise of the same general kind and nature as that sold by respondents.

PAR. 8. The respondents' use of the aforesaid false, misleading and deceptive statements, representations, and acts and practices, have had, and now have, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were, and are, true and complete, and into the purchase of substantial quantities of respondents' merchandise by reason of said erroneous and mistaken belief.

PAR. 9. The acts and practices of the respondents as set forth above were, and are all to the prejudice 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 Atlanta Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act; and

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

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Furniture Showrooms of Clarksville, Inc. is a corporation, existing and doing business under and by virtue of the laws of the State of Tennessee, with its office and principal place of business located at 119 College Street, Clarksville, Tenn.

Respondent Robert L. Norris is an officer of said corporation. He formulates, directs and controls the policies, acts and practices of said corporation, and his principal office and place of business is located at the above stated address.

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 Furniture Showrooms of Clarksville, Inc., a corporation, its successors and assigns, and its officers, and Robert L. Norris, individually, and as an officer of Furniture Showrooms of Clarksville, Inc., and respondents' agents, representatives and employees directly or through any corporation, subsidiary, division or any other device, in connection with the advertising, offering for sale, sale or distribution of furniture or other articles of merchandise, in

commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

Representing, orally, visually or in writing, directly or by implication, that any product or service may be purchased for any dollar amount or percentage over wholesale cost unless substantial sales are made at the stated mark-up over respondents' actual wholesale cost, or misrepresenting in any manner respondents' selling prices and mark-ups.

*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 for a period of three (3) years respondents maintain records which disclose the factual basis for any representation of respondents' cost or special prices for any products or services.

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

*It is further ordered*, That the 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

AL FRADKIN COMPANY, ET AL.

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

*Docket C-2507. Complaint, Mar. 25, 1974—Decision, Mar. 25, 1974.*

Consent order requiring a Baltimore, Md., retailer of furniture, appliances and clothing, among other things to cease violating the Truth in Lending Act by failing to disclose to consumers, in connection with the extension of consumer credit, such information as required by Regulation Z of the said Act.

## Complaint

*Appearances*

For the Commission: *James D. Tangires.*

For the respondents: *Steptoe & Johnson, Wash., D.C.*

## COMPLAINT

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

PARAGRAPH 1. Respondent the Al Fradkin Company, is a corporation organized, existing and doing business under and by virtue of the laws of the State of Maryland with its principal office and place of business located at 209 West Fayette Street, Baltimore, Md.

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

PAR. 2. Respondents are now, and for some time last past have been engaged in the offering for sale, sale of furniture, appliances and clothing to the public at retail.

PAR. 3. 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. 4. Subsequent to July 1, 1969, respondents, in the ordinary course of business as aforesaid, and in connection with their credit sales, as "credit sale" is defined in Regulation Z, have caused and are causing customers to execute a binding conditional sales contract with the sale of furniture, appliances and clothing. Respondents do not provide these customers with any other credit cost disclosures.

By and through the use of this conditional sales contract, respondents:

1. Fail to disclose the annual percentage rate with an accuracy at least to the nearest quarter of 1 percent, in accordance with Section

226.5 of Regulation Z, as required by Section 226.8(b)(2) of Regulation Z.

2. Fail to use the term "total of payments" to describe the sum of the payments scheduled to repay the indebtedness, as required by Section 226.8(b)(3) of Regulation Z.

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

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

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

#### DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Washington, D.C. Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Truth in Lending Act and the regulation promulgated thereunder and 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 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 the Al Fradkin Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Maryland, with its office and principal place of business located at 209 West Fayette Street, Baltimore, Md.

Respondent Ronald Fradkin is an officer of said corporation. He formulates, directs and controls the policies, acts and practices of said corporation and his address is the same as that of said corporation.

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

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

2. Failing to use the term "total of payments" to describe the sum of the payments scheduled to repay the indebtedness as required by Section 226.8(b)(3) of Regulation Z.

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

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

5. 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, at the time and in the manner, form and amount required by Sections 226.6, 226.8 and 226.10 of Regulation Z.

*It is further ordered,* That respondents deliver a copy of this order to cease and desist to all present and future personnel of respondents

engaged in the consummation of any extension of consumer credit or in any aspect of the preparation, creation or placing of advertising, and that respondents secure a signed statement acknowledging receipt of said order from each such person.

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

*It is further ordered,* That respondents notify the Commission at least thirty (30) days prior to any proposed change in respondents' business such as dissolution, assignment or sale resulting in the emergence of a successor business, corporate or otherwise, the creation of subsidiaries or any other change 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.

IN THE MATTER OF

CADENCE INDUSTRIES CORPORATION, ET AL.

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

*Docket C-2508. Complaint, Mar. 25, 1974—Decision, Mar. 25, 1974*

Consent order requiring a New York City, seller and distributor of encyclopedia and other educational materials and its wholly-owned subsidiary in Philadelphia, Penna., among other things to cease using misrepresentations to sell their publications or other merchandise offered in continuity programs; and to make specific factual disclosures in connection with their subscription solicitations. The order also requires the companies to establish and implement procedures relating to advance notification, rejection and return of merchandise, adjustments, and cancellation of subscriptions.

*Appearances*

For the Commission: *Edward D. Steinman.*

For the respondents: *Pro se.*

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 Cadence Industries Corporation, a corporation and Curtis Books, Inc., a corporation, hereinafter referred to as respondents, have violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Cadence Industries Corporation 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 641 Lexington Avenue, New York, N.Y.

Respondent Cadence Industries Corporation dominates, controls, and furnishes the means, instrumentalities, services and facilities for, and condones and approves the acts and practices of its subsidiary corporation, Curtis Books, Inc.

Respondent Curtis Books, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at 841 Chestnut Street, Philadelphia, Pa. It is a wholly-owned subsidiary corporation of the respondent Cadence Industries Corporation, and sells and distributes publications or other items of merchandise through advertisings and mailings. Its volume of business has been, and is substantial.

PAR. 2. Respondent Cadence Industries Corporation through its subsidiary corporation, Curtis Books, Inc., is now, and for some time last past has been, engaged in the advertising, offering for sale, sale or distribution of encyclopedias, reference or educational materials and other publications or other items of merchandise to the general public, and in the inducement and collection of payments for said publications or other items of merchandise from members of the general public. Its volume of business has been, and is substantial. In addition, respondent Cadence Industries Corporation, directly and indirectly, profits and benefits by and through the acts and practices of its wholly-owned subsidiary, Curtis Books, Inc., including the acts and practices hereinafter set forth.

PAR. 3. In the course and conduct of their business, as aforesaid, respondents now cause, and for some time last past have caused, said publications or other items of merchandise to be shipped or distributed from their places of business or from their sources of supply to purchasers and prospective purchasers thereof located in the various states of the United States other than the state where such publications or other items of merchandise was shipped or distributed. Furthermore, respondents disseminate, and have disseminated through the U. S. Mail advertising material for the promotion of such publications or other

items of merchandise to recipients located in states other than the state of origination of such mailings. In connection with such publications or other items of merchandise, respondents cause and have caused the mailing of invoices, collection notices and various other commercial papers or documents, for the purpose of inducing and collecting payment for said publications or other items of merchandise, among and between the several states of the United States. Respondents maintain, and at all times mentioned herein have maintained, a substantial course of trade in such publications or other items of merchandise in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their business, respondents have disseminated and are disseminating promotional material relating to continuity book programs. Such promotional material is distributed in mass through the U.S. Mail for the purpose of inducing the recipient of such material to become a subscriber to said continuity book programs. A continuity book program is a method of distribution whereby persons receive individual volumes of a set of publications on an approval basis.

The promotion material disseminated by respondents advises the recipient of such material of the availability of obtaining the first volume of a set of publications without cost in return for the recipient's agreement to become a subscriber to respondents' continuity book program. While placing extensive emphasis on the virtues of the program and on the minimal obligation of the recipient, respondents' promotional material does not contain adequate material disclosures of the fact that only the first few volumes of the set of publications are mailed to subscribers singly and individually with the remaining volumes being mailed to subscribers by means of bulk shipments. Among and including the statements and representations set forth in said promotional material, but not all inclusive thereof, are the following:

The Audubon Nature Encyclopedia

[Return coupon mailed by recipient to respondents]

Please send me Free, without any obligation of any kind, VOLUME ONE OF THE AUDUBON NATURE ENCYCLOPEDIA.

If I do not wish to see later books in the series, I will notify you within ten days after my free volume arrives. Otherwise, I understand that you will send me a new volume every four weeks for my free examination. I am under no obligation to purchase any minimum number of volumes, and may request that you discontinue future shipments at any time. For any book I decide to keep after the free-examination period, you will bill me at the low bargain rate of just \$3.98 plus shipping. Regardless of whether I elect to see later volumes in THE AUDUBON NATURE ENCYCLOPEDIA, Volume One is mine to keep without charge.

\* \* \* \* \*

[Advertising Piece]



Let me assure you that Volume I is *actually free*. If you decide that you do not want any more volumes, you simply tell us. You will never receive a bill—you will never receive another volume—no salesman will ever call on you—you *will never* have to return your free volume.

Perhaps you say to yourself: "I know all about buying books by mail. They will send books that I have not ordered and then send me bills for these unordered books."

This cannot happen because this is *not* a Book Club. There are no monthly cards to return. Once you tell us to CANCEL, we CANCEL. You never receive another book.

### The United States Encyclopedia of History [Advertising Piece]

Accept Volume One FREE—Without Obligation of Any Kind!

Then, if you wish to own the volumes that follow, you will enjoy a superbly attractive bargain. Elsewhere, you might expect to pay upwards of twice as much for books of similar value. But you are privileged to examine each new volume as soon as it is published—one every four weeks—*completely on approval* \* \* \* and to purchase, if you're impressed, for *just \$3.98* plus shipping.

Remember, *your first book is free*—our gift to you. After that, *you do not commit yourself* in any way! You enjoy the option of buying *only* those books you really want to buy—as many or as few as you choose! And you will never be asked to decide until *after* you've had ten days to approve them.

PAR. 5. Through the use of said statements or others of similar import and meaning but not specifically set forth herein, respondents have represented, and are continuing to represent, directly or by implication:

a. That subscribers to respondents' continuity programs are accorded the option of receiving a single book at a time, and thereby are afforded the opportunity to receive and review on approval each book separately and to reject or accept same, until the expiration of the continuity programs.

b. That no further volumes of books will be received after said subscribers have notified respondents to cancel their subscriptions to the programs.

c. That persons who subscribe to respondents' continuity programs do so without risk or obligation.

PAR. 6. In truth and in fact:

a. Subscribers to respondents' continuity programs are not accorded the option of receiving a single book at a time, and thereby are not afforded the opportunity to receive and review on approval each book separately and to reject or accept same, until expiration of their continuity programs. Respondents do not adequately advise subscribers of the material fact, when the subscribers initially receive promotional material concerning the continuity programs, that all but the first few books are shipped in mass by means of single bulk shipments.

b. Subscribers to respondents' continuity programs, in many in-

stances, continue to receive volumes of books after notifying respondents to cancel their subscriptions to the programs.

c. Subscribers to respondents' continuity programs are subject to risks or obligations. Once a person subscribes to the continuity programs, respondents impose the following duties or obligations on the subscribers: must notify respondents to prevent shipment of additional books; must return to respondents all books found unacceptable; must pay for all books not returned to respondents. Subscribers also incur the risk that due to delays in mailing delivery or computer error, they will receive unordered merchandise or incorrect billings for books that have either been returned to respondents or for books that have been shipped to subscribers after said subscribers cancelled their subscription to the continuity programs.

Therefore, respondents' statements, representations, acts and practices, and their failure to adequately disclose material facts, as set forth in Paragraphs Four through Six, hereof, were and are, false, misleading, deceptive and unfair.

PAR. 7. In the further course and conduct of their business, as aforesaid, a substantial majority of the persons who initially subscribe to any of respondents' continuity book programs subsequently cancel or otherwise terminate their relationship with respondents prior to shipment of all of the volumes of books contained in said continuity programs. Respondents have failed to establish and implement adequate procedures to insure that subscribers who subsequently cancel or otherwise terminate their relationship with respondents will not receive volumes of books from respondents after their severance from the continuity programs.

Furthermore, respondents have failed to adequately advise their subscribers of the possibility of mail delivery delays or computer errors which make it necessary and imperative for said subscribers to exercise due care in effecting cancellation so as to prevent shipment of volumes of books after said subscribers have attempted to cancel their subscriptions to the continuity programs.

As a result of respondents' failure to establish and implement adequate cancellation procedures and their failure to adequately inform subscribers as aforesaid, subscribers have received unauthorized, unwanted shipment of books and have received repeated, unrelenting mailings of bills, dunning letters, and similar correspondence relating to such books. Due to receipt of such books, bills and dunning letters, subscribers have had to expend their time and energies to dispose of the books sent to them and to attempt to correct respondents' erroneous billing notices.

Therefore, respondents' failure to establish and implement cancella-

tion procedures and their failure to adequately disclose material facts, as set forth hereinabove, were and are false, misleading, deceptive and unfair.

PAR. 8. In the course and conduct of their 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 publications and other items of merchandise of the same general kind and nature as sold by respondents.

PAR. 9. The use by respondents of the aforesaid unfair, and false, misleading and deceptive statements, representations and practices and the failure to disclose material facts, have had, and now have, the capacity and tendency to mislead members of the public into the erroneous and mistaken belief that such statements and representations were, and are, true and complete, or into the purchase or retention, and payment for, substantial quantities of said publications and other items of merchandise 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.

#### 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 complaint should issue stating its charges in that respect, and having hereupon accepted the executed consent

agreement and placed such agreement on the public record for a period of thirty (30) days, and 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 Cadence Industries Corporation 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 641 Lexington Avenue, New York, N.Y.

2. Respondent Curtis Books, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware with its office and principal place of business located at 841 Chestnut Street, Philadelphia, Pa.

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

#### ORDER

*It is ordered,* That respondents Cadence Industries Corporation, a corporation, and Curtis Books, Inc., a corporation, their successors and assigns, and their officers, and respondents' agents, representatives, employees, independent contractors, directly or through any corporation, subsidiary, division, franchisee or other device, in connection with the advertising, offering for sale, sale or distribution of any encyclopedia, reference or educational material or any other publication or other item of merchandise through the use of any program, or method of sale or distribution through the mail, that provides or purports to provide for the delivery of any of said publications or other items of merchandise to any person at regularly scheduled intervals on an approval basis, and in connection with the inducement or collection of payments for such publications or other items of merchandise, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

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

(a) Any person has the option to receive each publication or other item of merchandise, separately and individually, and to accept or reject same, unless such person is allowed in all instances to purchase or reject each such publication or other item of merchandise separately and individually.

(b) Any person will not receive any further publication or other item of merchandise after respondents receive a clear and unambiguous notification of his cancellation of any such

program, method of sale or distribution unless such are the facts; or misrepresenting, in any manner, any consequence resulting from any person's cancellation of his participation in any such program, method of sale or distribution.

(c) Any person incurs no risk or obligation by joining or participating in any such program, method of sale or distribution, unless such is the fact; or misrepresenting, in any manner, any condition, right, duty or obligation imposed on said person.

2. Disseminating or causing the dissemination of, any advertisement, which is accompanied by a return coupon, an order form, or any other method by which the recipient can subscribe to such program, method of sale or distribution, by means of the United States mails or by any means in commerce, as "commerce" is defined in the Federal Trade Commission Act, which fails to disclose in a clear, unqualified and conspicuous manner:

(a) A description of the conditions and terms of any such program, method of sale or distribution, and the duties and obligations of any subscriber thereto.

(b) A description of each publication or other item of merchandise, the billing charge to be made therefor, the anticipated total number of publications or other items of merchandise included in any such program, method of sale or distribution, the number of publications or other items of merchandise included in each shipment of such items, and the number of and the intervals between each such shipment.

(c) A description of the procedures, and the time limitations for refusing to accept delivery, and for rejecting after examination and for returning any publication or other item of merchandise, and a description of the procedures for the application of allowances or credits against billing charges for any unwanted publication or other item of merchandise that has been rejected or returned; and

(d) That in order for any communication, including any cancellations, to be processed by respondents prior to the next shipment of any publication or other item of merchandise, such communication must be received by respondents no later than the date stated on the invoice as the date on which respondents will initiate processing of such shipment; and that this procedure is necessitated by delays in mail delivery and in computer processing.

3. Failing to disclose, clearly and conspicuously, on any return coupon, order form or any other document used for responding to

any such program, method of sale or distribution, the following information: (a) the anticipated total number of publications or other items of merchandise included in any such program, method of sale or distribution; (b) the number of publications or other items of merchandise included in each shipment of such items; and (c) the number of the intervals between each such shipment.

4. Failing to disclose, clearly and conspicuously, in conjunction with delivery of any publication or other item of merchandise sent to any subscriber, the anticipated date on which respondents will initiate processing of the next shipment of any such item.

5. Failing to establish and implement a procedure whereby respondents will provide each subscriber with the notification set forth in Paragraph 4, *supra*, at least 15 days prior to the anticipated processing date and any subsequent shipment.

6. Failing to credit, for the full invoiced amount thereof, the return of any publication or other item of merchandise sent to a subscriber, and to guarantee to the postal service or the subscriber postage adequate to return such publication or other item of merchandise to the respondents, when:

(a) The publication or other item of merchandise is sent to a subscriber after the respondents have received a notice of cancellation prior to the date disclosed in conjunction with the immediately preceding shipment as required by Paragraph 4, *supra*; or

(b) The notice of cancellation is received by the respondents after the date disclosed pursuant to Paragraph 4, *supra*, but has been mailed by the subscriber and postmarked at least three days prior to the date disclosed as aforesaid.

7. Sending any publication or other item of merchandise to any subscriber, or mailing any bill or invoice therefor, after respondents have received notification of cancellation from said subscriber prior to the date upon which respondents may initiate the processing for shipment of said publication or other item of merchandise pursuant to Paragraph 6, *supra*.

8. Failing to do the following, after receipt of a claim for adjustment in connection with any bill or invoice or any defense raised by any alleged debtor:

(a) Make any such adjustment within fourteen (14) days of receipt of such claim; or

(b) Acknowledge the receipt of the claim or defense within fourteen (14) days of receipt by respondents and suspend all collection procedures with such alleged debtor until twenty-

five (25) days after complying with the procedure set forth in (c) below.

(c) Make the requested adjustment and acknowledge the validity of the claim or defense raised within sixty (60) days, or within said period, inform the alleged debtor in writing of respondents' version of the facts alleged in the claim or defense.

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

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

*It is further ordered,* That the respondents herein shall within sixty (60) days after service upon them of this order, file with 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  
HOLIDAY MAGIC, INC., ET AL.

*Docket 8834. Interlocutory Order, Mar. 26, 1974*

Order deferring ruling on complaint counsel's motion to amend complaint by substituting for decedent respondent William Penn Patrick the executor of his estate; parties instructed that Commission will hear oral argument on merits of this matter and such additional arguments on the motion as the parties might like to present.

*Appearances*

For the Commission: *Stuart D. Cameron* and *Joseph S. Brownman*.  
For the respondents: *Stein, Mitchell & Mezines*, Wash., D.C.

ORDER INCLUDING MOTION TO AMEND COMPLAINT IN ORAL ARGUMENT

Complaint counsel having filed on Jan. 14, 1974, a Motion to Amend The Complaint by Substituting Sam Olivo, Executor of the Estate of William Penn Patrick for Decedent Respondent William Penn Patrick, and briefs having been submitted by the parties in support of and in opposition to said motion; and

The Commission having determined that discussion of this issue at the oral argument on the merits of this matter scheduled for Apr. 10, 1974, might be helpful in resolving said issue.

*It is ordered,* That the parties be, and they hereby are, instructed that the Commission will defer ruling on said motion to amend until after oral argument on the merits of the matter scheduled for Apr. 10, 1974, and will hear thereat such additional arguments on said motion as the parties might like to present.

## IN THE MATTER OF

## METRO PASSBOOK, INC., ET AL.

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

*Docket C-2509. Complaint, Mar. 28, 1974—Decision, Mar. 28, 1974*

Consent order requiring a Philadelphia, Pa., seller of promotional coupons, among other things to cease misrepresenting the terms and conditions regarding the use of its coupons; misrepresenting the prices of its coupons as sales prices; failing to maintain adequate records substantiating its claims; and misrepresenting savings afforded to purchasers or that merchandise or services are "free."

*Appearances*

For the Commission: *David W. Bushong.*

For the respondents: *Martin J. Sablosky, Philadelphia, Pa.*

## 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 Metro Passbook, Inc., a corporation, and Richard Natow, individually and as an officer of said corporation, hereinafter sometimes 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 Metro Passbook, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania, with its principal office and place of business located at 3900 Ford Road, Philadelphia, Pa.

Respondent Richard Natow, is an individual and 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 business address is the same as the corporate respondent.

The aforementioned respondents cooperated and acted together in the carrying out of 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, and sale of promotional coupons in booklet form to the general public. Said coupons are redeemable in certain restaurants and other business establishments.

PAR. 3. In the course and conduct of their business as aforesaid, respondents now cause, and for some time last past have caused, their merchandise, when sold, to be shipped from their places of business located 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 merchandise in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their aforesaid business, and for the purpose of inducing the purchase of their promotional coupons, respondents have made, and are now making, numerous statements and representations by repeated advertisements inserted in newspapers of interstate circulation.

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

Buy one dinner, receive one compliments of the house.

Buy one ticket, receive the second absolutely free.

Good seven nights a week! including Friday, Saturday, and Sunday evenings.

\* \* \* over 300 fine restaurants

Thousands sold at our regular price of \$17.50 each \* \* \* special offer \$8.00

Over 300 FREE bonuses & Passes

Over \$943 FREE enjoyment

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

1. Through the use of respondents' promotional coupon, the purchase of any one dinner on participating restaurants' menus the buyer is entitled to any other dinner on said menus free of charge.

2. Through the use of respondents' promotional coupon, the purchase of any one ticket at participating theaters or other entertaining establishments entitles the buyer to any second ticket free of charge.

3. Respondents' promotional coupons may be used at any time.

4. Over 300 restaurants accept respondents' promotional coupons.

5. Respondents' promotional coupon booklet's regular price is \$17.50.

6. That customers receive free passes and bonuses.

PAR. 6. In Truth and in fact:

1. The value of respondents' promotional coupons are limited at participating restaurants and sports' facilities to specific amounts and types of admissions.

2. Respondents' promotional coupons are not honored at all participating establishments seven nights a week; promotional coupons are not honored at all participating theaters for all performances.

3. Respondents' promotional coupons are expressly excluded from holiday use.

4. Far less than 300 restaurants honor respondents' promotional coupons.

5. Respondents regularly sell their promotional coupon booklets for \$8.

6. Purchasers do not receive free passes but actually pay for such passes which are the substance of the respondents' product; passes are not free for the additional reason that another purchase must be made in order to negotiate such passes.

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 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 and distribution of merchandise and service of the same general kind and nature as those sold by respondents.

PAR. 8. The use by respondents of the aforesaid false, misleading and deceptive statements, 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 accurate, and into the purchase of substantial quantities of respondents' products and services by reason of said erroneous and mistaken belief.

PAR. 9. 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 in violation of Section 5 of the Federal Trade Commission Act.

#### DECISION AND ORDER

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

The respondents and counsel for the Commission having thereafter

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

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, and having duly considered the comments filed thereafter pursuant to Section 2.34(b) of its rules, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Metro Passbook, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania, with its office and principal place of business located at 3900 Ford Road, Philadelphia, Pa.

Respondent Richard Natow is an officer of said corporation. He formulates, directs and controls the policies, acts and practices of said corporation, and his address is the same as that of said corporation.

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

#### ORDER

*It is ordered,* That respondents Metro Passbook, Inc., a corporation, its successors and assigns, its officers and Richard Natow, individually and as an officer of said corporation and respondents' agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, offering for sale or sale of promotional coupons, or any other merchandise or service, 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 through the use of respondents' promotional coupons the purchase of any item at participating restaurants entitles the buyer to any second item free of charge.

2. Representing, directly or by implication, that through the use of respondents' promotional coupons the purchase of any ticket at

participating sport exhibitors entitles the buyer to any second ticket free of charge.

3. Representing, directly or by implication, that respondents' promotional coupons are accepted by participating theaters and other places of entertainment for any and all performances.

4. Representing, directly or by implication, that respondents' promotional coupons may be used at any and all times.

5. Representing, directly or by implication, that the number of restaurants or establishments that honor respondents' promotional coupons is greater than those that do in fact honor respondents' promotional coupons.

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

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

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

(c) Representing, directly or indirectly, orally or in writing, that by purchasing any of said merchandise or services, customers are afforded savings amounting to the difference between respondents' stated price and a compared value price for comparable merchandise or services, unless substantial sales of merchandise of like grade and quality are being made in the trade area at the compared price or a higher price and unless respondents have in good faith conducted a market survey or

obtained a similar representative sample of prices in their trade area which establishes the validity of said compared price and it is clearly and conspicuously disclosed that the comparison is with merchandise or services of like grade and quality.

8. Representing, directly or by implication, orally or in writing, that purchasers of respondents' merchandise will save any stated dollar or percentage amount without fully and conspicuously disclosing in immediate conjunction therewith, the basis for such savings representations.

9. Failing to maintain and produce for inspection or copying for a period of three (3) years, adequate records (a) which disclose the facts upon which any savings claims, sale claims and other similar representations as set forth in Paragraphs Six, Seven, and Eight of this order are based, and (b) from which the validity of any savings claims, sale claims and similar representations can be determined.

10. Representing, directly or indirectly, orally or in writing, that any price amount is respondents' regular price for any article of merchandise or services unless said amount is the price at which such merchandise or services have been sold or offered for sale by respondents for a reasonably substantial period of time in the recent, regular course of their business and not for the purpose of establishing fictitious higher prices upon which a deceptive comparison or a "free" or similar offer might be based.

11. Representing, directly or indirectly, orally or in writing, that a purchaser of respondents' merchandise or services will receive "free" bonuses, passes or values of any other "free" merchandise, services, gifts, prizes or awards unless all conditions, obligations, or other prerequisites to the receipt and retention of such merchandise, services, gifts, prizes or awards are clearly and conspicuously disclosed at the outset in close conjunction with the word "free" wherever it first appears in each advertisement or offer.

12. Representing, directly or indirectly, orally or in writing, that any merchandise or services is furnished "free" or at no cost to the purchaser of advertised merchandise or services, when, in fact, the cost of such merchandise or services is regularly included in the selling price of the advertised merchandise or services.

13. Representing, directly or indirectly, orally or in writing, that a "free" offer is being made in connection with the introduction of new merchandise or services offered for sale at a specified price unless the respondents expect, in good faith, to discontinue the offer after a limited time and commence selling such merchandise or

services, separately, at the same price at which it was sold with a "free" offer.

14. Representing, directly or indirectly, orally or in writing, that merchandise or services are being offered "free" with the sale of merchandise or services which are usually sold at a price arrived at through bargaining, rather than at a regular price, or where there may be a regular price, but where other material factors such as quantity, quality, or size are arrived at through bargaining.

15. Representing, directly or indirectly, orally or in writing, that a "free" offer is available in a trade area for more than six (6) months in any twelve (12) month period. At least thirty (30) days shall elapse before another such "free" offer is made in the same trade area. No more than three such "free" offers shall be made in the same area in any twelve (12) month period. In such period, respondents' sale in that area of merchandise or services in the amount, size or quality promoted with the "free" offer shall not exceed 50 percent of the total volume of its sales of merchandise or services, in the same amount, size or quality, in the area.

16. Representing, directly or indirectly, orally or in writing, that merchandise or services are being offered as a "gift," "without charge," "bonus," or by other words or terms which tend to convey the impression to the consuming public that merchandise or services are free, when the use of the term "free" in relation thereto is prohibited by the provisions of this order.

*It is further ordered,* That respondents shall forthwith deliver a copy of this order to cease and desist, and a copy of the Commission's news release setting forth the terms of the order, to each advertising agency and advertising medium, such as newspaper publishing companies, radio stations or television stations, presently utilized in the course of their business, and that respondents shall, immediately upon opening an account, deliver a copy of such order and news release to any such agency or medium with which they subsequently open an account.

*It is further ordered,* That respondents shall forthwith deliver a copy of this order to cease and desist to each of their agents, representatives and employees engaged in the offering for sale or sale of respondents' merchandise or services, or in any aspect of the creation, preparation or placing of respondents' advertisements and that respondents shall deliver a copy of such order to each such person whom they subsequently employ, immediately upon employing each such person and that respondents shall secure from each such person a signed statement acknowledging receipt of said order.

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

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

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

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

IN THE MATTER OF  
BRITISH OXYGEN COMPANY, LIMITED, ET AL.

*Docket 8955. Interlocutory Order, Apr. 2, 1974*

Order denying motion of respondents to extent it requests a fixed schedule for proceedings, without prejudice to right of respondents to renew their motion in event of undue delay. Commission directs proceedings progress as expeditiously as is consistent with rights of parties to due process of law.

*Appearances*

For the Commission: *K. Keith Thurman, Gordon Youngwood, Donald E. Purcell, Daryl A. Nickel, John R. Hoagland, Robert E. Liedquist.*

For the respondents: *Paul, Weiss, Rifkind, Wharton & Garrison, New York City.*

ORDER DENYING MOTION  
FOR FIXED SCHEDULE

In December, 1973, the British Oxygen Company, Limited (BOC), acquired 35 percent of the stock of Airco, Inc. for the sum of \$80 million. Following issuance of the complaint challenging this merger of Feb. 26, 1974, the Commission obtained a preliminary injunction on March 8, 1974, enjoining BOC from fully exercising the rights it obtained with said acquisition, In order that these restraints might be removed as quickly as possible, BOC moves for an expedited trial schedule with a

hearing on the merits beginning no later than Apr. 1, 1974, and with all administrative proceedings, including the Commission's final decision concluding no later than July 1, 1974. Complaint counsel oppose this motion and, pursuant to Section 3.22 (a) of the Commission's Rules of Practice, the administrative law judge has certified it to the Commission by order filed March 18, 1974.

The Commission is cognizant of the need to expedite these proceedings as expressed in the order of the United States District Court for the District of Delaware, dated Mar. 8, 1974. However, the Commission does not believe that this need will best be served by imposing on the administrative law judge a fixed schedule incapable of responding to the vicissitudes of trial. This is especially true in view of the fact that both the administrative law judge and complaint counsel have indicated their willingness to cooperate with respondents in expediting this matter. Accordingly,

*It is ordered*, That the aforesaid motion, to the extent that it requests a fixed schedule for these proceedings, be, and it hereby is, denied without prejudice to the right of respondents to renew their said motion in the event of undue delay.

*It is further ordered*, That these proceedings progress as expeditiously as is consistent with the rights of the parties to due process of law.

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IN THE MATTER OF

M. B. JOHNSON DEVELOPMENT CO.

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

*Docket C-2510. Complaint, Apr. 5, 1974—Decision, Apr. 5, 1974*

Consent order requiring a Buena Park, Calif., seller of townhouses and condominiums, among other things to cease violating the Truth in Lending Act by failing to disclose to consumers, in connection with the extension of consumer credit, such information as required by Regulation Z of the said Act.

*Appearances*

For the Commission: *Bertrand E. Christian.*

For the respondent: *Pro se.*

COMPLAINT

Pursuant to the provisions of the Truth in Lending Act and the implementing regulation promulgated thereunder, and the Federal



Trade Commission Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that M. B. Johnson Development Co., a corporation, hereinafter referred to as respondent, has violated the provisions of said Acts and implementing regulation, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent is a corporation organized, existing and doing business under and by virtue of the laws of the State of California with its principal office and place of business located at 8521 Whitaker Street, Buena Park, Calif.

PAR. 2. Respondent is now, and for some time last past has been, engaged in the advertising, offering for sale and sale of townhouses and condominiums to the general public.

PAR. 3. In the ordinary course and conduct of its business as aforesaid, respondent regularly arranges for the extension of consumer credit or offers to extend or arrange for the extension of such credit, as "arrange for the extension of credit" and "consumer credit" are defined in Section 226.2 of 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 of business as aforesaid, has caused, and is causing, to be published, advertisements, as "advertisement" is defined in Section 226.2 of Regulation Z, which advertisements aid, promote, or assist, directly or indirectly, the extension of other than open end credit.

PAR. 5. Respondent, in certain of these advertisements has stated, and is stating, the amount of the downpayment required, that no downpayment is required or that the downpayment is a certain percentage of the stated sales price without also stating all of the following items, in terminology prescribed under Section 226.8 of Regulation Z, as required by Section 226.10(d) (2) thereof:

- (a) The cash price;
- (b) The amount of the downpayment required or that no downpayment is required, as applicable;
- (c) The number, amount, and due dates or period of payments scheduled to repay the indebtedness if the credit is extended; and
- (d) The amount of the finance charge expressed as an annual percentage rate.

PAR. 6. Respondent, in certain other of these advertisements, has stated, and is stating, the above required disclosures, but is not printing, as prescribed by Section 226.6 (a) of Regulation Z the term "annual

percentage rate" more conspicuously than other terminology required to be printed by Section 226.10 (d) (2) of Regulation Z.

PAR. 7. Respondent, in certain of these advertisements, has stated, and is stating, the rate of a finance charge, as "finance charge" is defined in Section 226.2 of Regulation Z, and has not expressed said rate as an annual percentage rate, using the term "annual percentage rate," as "annual percentage rate" is defined in Section 226.2 of Regulation Z, in violation of Section 226.10 (d) (1) of Regulation Z.

PAR. 8. 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 has 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 Los Angeles 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 Truth in Lending Act and the implementing regulation promulgated thereunder and violation of the Federal Trade Commission Act; and

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

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said 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, in the form contemplated by said agreement, makes the following jurisdictional findings, and enters the following order:

1. Respondent M. B. Johnson Development Co. 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 8521 Whitaker Street, Buena Park, Calif.

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 M. B. Johnson Development Co., a corporation, its successors and assigns, and respondent's agents, representatives, salesmen and employees, directly or through any corporation, subsidiary, division or other device, in connection with any advertisement to aid, promote, or assist, directly or indirectly, any extension of consumer credit as "consumer credit" and "advertisement" are defined in Regulation Z (12 C.F.R. § 226) of the Truth in Lending Act (Pub. L. 90-321, 15 U.S.C. 1601, *et seq.*), do forthwith cease and desist from:

1. Stating the amount of the downpayment required, or that no downpayment is required, unless it states, in terminology prescribed under Section 226.8 of Regulation Z, as required by Section 226.10 (d) (2) thereof, all of the following items:

(a) The cash price;

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

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

(d) The amount of the finance charge expressed as an annual percentage rate.

2. Failing to state the annual percentage rate, using the term "annual percentage rate," as "annual percentage rate" is defined in Section 226.2 of Regulation Z, in a more conspicuous manner than other terminology required to be stated by Section 226.10(d) (1) of Regulation Z as prescribed by Section 226.6(a) thereof.

3. Failing to state the rate of a finance charge unless said rate is expressed as an annual percentage rate, using the term "annual percentage rate," as "finance charge" and "annual percentage rate" are defined in Section 226.2 of Regulation Z, as prescribed by Section 226.10(d) (1) of Regulation Z.

4. Failing, in any advertisement, to make all disclosures as required by Section 226.10 of Regulation Z and in the manner prescribed therein.

*It is further ordered,* That respondent notify the Commission at least 30 days prior to any proposed change in any 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

HOLIDAY MAGIC, INC., ET AL.

*Docket 8834. Interlocutory Order, Apr. 9, 1974*

Order denying motion of third party (1) to intervene by participation in oral argument before Commission, (2) requesting to be put on notice of all proceedings herein until final determination and (3) requesting that respondents be ordered to serve upon him any papers filed in case until finally determined.

*Appearances*

For the Commission: *Joseph S. Brownman* and *Stuart D. Cameron*.

For the intervenor: *Merle E. Davis*, White Plains, New York.

ORDER DENYING MOTION TO INTERVENE

By motion filed Apr. 3, 1974, Mr. Lloyd Bethune, through his attorney and pursuant to Section 3.14 of the Commission's Rules of Practice, moves that he, as spokesman for a group of aggrieved persons, be allowed to intervene in the above-captioned proceedings for the purpose of participating in oral argument before the Commission as *amicus curiae*. In the alternative, he requests that he be put on notice of all proceedings in this matter until it is finally determined and that respondents be ordered to serve him with any papers filed with regard to their case until this matter is finally determined. Both parties oppose this motion.

Petitioner's first request is based on the possibility that, as a person aggrieved by respondents' actions, he "may have information which might shed some light on the legal arguments to be made." The Commission finds this insufficient reason to warrant his participation in oral argument. With regard to petitioner's second request, his need to be informed as to the progress of this matter, as described in his motion, can be satisfied by the Commission's Office of Public Information, the Office of the Secretary and the public record. Accordingly,

*It is ordered,* That the aforesaid motion be, and it hereby is, denied with respect to both requests.

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IN THE MATTER OF

G C SERVICES CORPORATION, ET AL.

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

*Docket C-2511. Complaint, Apr. 16, 1974—Decision, Apr. 16, 1974*

Consent order requiring a Houston, Tex., collection agency, among other things to cease using printed material which cause harassment, fear or undue embarrassment to alleged debtors receiving them or which simulates legal process; misrepresenting that past due accounts have been referred to an attorney for collection or legal action has been or is about to be instituted; or threatening to contact a debtor's employer or to institute legal processes.

*Appearances*

For the Commission: *Joseph Hickman.*

For the respondents: *John C. Bagalay, Houston, Tex.*

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 C Services Corporation, formerly doing business as Gulf Coast Collection Agency, a corporation, and Jerold B. Katz, William A. Inglehart and Martin M. Katz, 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 G C Services Corporation formerly doing business as Gulf Coast Collection Agency is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Texas with its principal office and place of business located at 3333 Fannin Street, in the city of Houston, State of Texas.

Respondents Jerold B. Katz, William A. Inglehart and Martin M. Katz are individuals and are officers of the corporate respondent. They formulate, direct, and control the acts and practices hereinafter set forth. Their 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 business of collection of delinquent accounts for business