

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
ARIZONA VALLEY DEVELOPMENT COMPANY, INC.,
ET AL.

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

Docket C-839. Complaint, Sept. 28, 1964—Decision, Sept. 28, 1964

Consent order requiring two associated corporations and four individuals acting for them, engaged in selling lots or parcels of real estate in "Arizona City," Arizona, by mail and directly, to cease misrepresenting the location and accessibility of lots, nature and climate of the area, number of lots available, employment opportunities, and refund policy.

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 Arizona Valley Development Company, Inc., a corporation; Arizona City Development Corporation, a corporation; James A. McRae and John T. Foley, individually and as officers of the above corporations; J. David Knudson, individually and as a former officer of said corporations, and Richard Kolar, an individual doing business as Kolar Sales Company; 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 Arizona Valley Development Company, 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 301 N. Sunland Gin Road, Arizona City, Arizona.

Respondent Arizona City Development Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona. It is a wholly owned subsidiary of respondent Arizona Valley Development Company, Inc., and has its principal office and place of business located at 301 N. Sunland Gin Road, Arizona City, Arizona.

Respondents James A. McRae and John T. Foley are officers of the corporate respondents. They formulate, direct and control the acts and practices of said corporate respondents, including the acts and practices hereinafter set forth. Their address is the same as that of the corporate respondents.

Respondent J. David Knudson is a former officer of the said corporate respondents and participated in the formulation, direction and control of the acts and practices of said corporate respondents, including the acts and practices hereinafter set forth, until his resignation therefrom on December 31, 1963. His address is 6225 E. Rose Circle Drive, Scottsdale, Arizona.

Respondent Richard Kolar is an individual who has done business as Kolar Sales Company with his principal office and place of business located at 593 Capri Drive, Palatine, Illinois. He acted as principal sales agent for said corporations until August 1, 1963 and as a salesman therefor until December 1963.

PAR. 2. Respondents have been engaged in the advertising, offering for sale and sale of lots or parcels of real estate located in the State of Arizona to the public in various parts of the United States by means of the United States mails and through agents and sales representatives. The said land is known as Arizona City.

PAR. 3. Respondents, in conducting the business aforesaid, have sent and transmitted, and have caused to be sent and transmitted, letters, contracts, checks, deeds and other papers and documents of a commercial nature from their places of business in the States of Arizona and Illinois to purchasers and prospective purchasers located in various other States of the United States and have thus engaged in extensive commercial intercourse, in commerce, as "commerce" is defined in the Federal Trade Commission Act.

Complaint

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PAR. 4. Respondents, for the purpose of inducing the purchase of said parcels of real estate, have distributed business reply cards, form letters, reprints of newspaper articles, circulars, and other advertising material to members of the public by means of the United States mails and through agents and sales representatives. Typical of the statements, depictions and representations in said advertising material, but not all inclusive thereof, are the following:

There are good reasons to stake your claim in this fast-growing Arizona area now * * * Important industries, fabulous resorts, * * * thriving retail and wholesale establishments * * * are to be found in Central and Southern Arizona * * * Further development of these activities is definitely heading from Phoenix to Tucson.

In an area of rich farmland and glorious climate.

Arizona City Climate Facts * * * Average Annual Temperature 69.7.

In addition to and in conjunction with the foregoing advertising representations, respondents' agents and sales representatives have made numerous oral statements and representations and displayed various kinds of promotional material to prospective purchasers concerning and relative to the location, climate, availability of utilities, employment opportunities, cost of building or financing homes, and other features and characteristics of the land and vicinity in and around said Arizona City.

PAR. 5. By and through the use of the above-quoted statements and depictions and by means of said oral statements and promotional literature, respondents have represented, directly or by implication, that:

1. All lots in Arizona City front on a paved road or street and are readily accessible from an established highway.
2. Said lots are situated in an area of rich farmland.
3. The number of said lots available is restricted to a small quantity.
4. Arizona City offers many employment opportunities due to the fact that government projects, industrial plants, large retail stores and other commercial establishments will soon be built or installed in the immediate vicinity.
5. Respondents' agents and sales representatives themselves were moving from Illinois to Arizona City.
6. Purchasers of said lots can obtain a refund of the purchase price if not satisfied with said lots.
7. Arizona City has a moderate climate with no extremes of heat or cold.

PAR. 6. In truth and in fact:

1. All lots in Arizona City do not front on a paved road or street and are not readily accessible from an established highway.

2. Said lots are not situated in an area of rich farmland in that the immediate vicinity of said lots does not consist of such farmland.

3. The number of said lots available is not restricted to a small quantity.

4. Arizona City does not offer many employment opportunities; and government projects, industrial plants, large retail stores or other large commercial establishments are not planned for the immediate vicinity thereof.

5. Respondents' agents and sales representatives have not moved from Illinois to Arizona City.

6. Purchasers of said lots can obtain a refund of the purchase price only under the conditions set forth in respondents' guarantee form.

7. Whereas Arizona City has a generally moderate climate, it does have occasional extremes of heat and cold.

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

PAR. 7. At all times herein mentioned, respondents have been in substantial competition in commerce, with corporations, firms and individuals in the sale of real estate of the same general kind and nature as that sold by respondents.

PAR. 8. The use by respondents of the aforementioned false, misleading and deceptive statements, representations and practices has had, and now has, the capacity and tendency to mislead and deceive a substantial portion of the purchasing public into the erroneous and mistaken belief that such statements were, and are, true, and into the purchase of substantial quantities of respondents' lots by reason of said mistaken and erroneous 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 and unfair and deceptive acts and practices in commerce, in violation of Section 5 of the Federal Trade Commission Act.

DECISION AND ORDER

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

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

The Commission, having considered such agreements, hereby accepts same, issues its complaint in the form contemplated by said agreements, makes the following jurisdictional findings, and enters the following order:

1. Respondent Arizona Valley Development Company, 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 301 N. Sunland Gin Road, in the city of Arizona City, State of Arizona.

Respondent Arizona City Development Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona. It is a wholly owned subsidiary of Arizona Valley Development Company, Inc., and has its office and principal place of business at the same address.

Respondents James A. McRae and John T. Foley are officers of the said corporations, and their address is the same as that of said corporations.

Respondent J. David Knudson is a former officer of said corporations. Until his resignation therefrom on December 31, 1963, he participated in the formulation, direction and control of the policies, acts and practices of said corporations. His address is 6225 East Rose Circle Drive, Scottsdale, Arizona.

Respondent Richard Kolar is an individual who is doing, or has done, business as Kolar Sales Company with an office and place of business at 593 Capri Drive, Palatine, Illinois. He acted as principal sales agent for said corporations until August 1, 1963, and as a salesman therefor until December 1963.

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 Arizona Valley Development Company, Inc., a corporation, and its officers; and Arizona City Development Corporation, a corporation, and its officers; and James A. McRae and John T. Foley, individually and as officers of said corporations;

and respondents' agents, representatives, and employees, directly or through any corporate or other device, in connection with the offering for sale and sale of real estate, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Representing, directly or by implication:

1. That all lots of said land in Arizona City front on a paved road or street or are readily accessible from an established highway; provided, however, that the location of said land with respect to established highways may be stated and shown.

2. That the immediate vicinity of Arizona City consists of rich farmland.

3. That the number of lots available in Arizona City is restricted to a small quantity.

4. That Arizona City offers many employment opportunities or that Government projects, industrial plants, large retail stores or other large commercial establishments are to be built or installed in the immediate vicinity unless such establishments are under construction or bona fide contracts therefor have been entered into.

5. That respondents' agents or sales representatives are moving from Illinois or any locality to Arizona City.

6. That purchasers of said lots can obtain a refund of the purchase price unless the conditions pertaining to such refund are disclosed.

7. That Arizona City has a moderate climate unless disclosure is made of the highest and lowest seasonal temperatures.

B. Misrepresenting in any manner the location, climate, employment opportunities, or any other material feature of said land and its development.

It is ordered, That respondents J. David Knudson, individually and as a former officer of the Arizona Valley Development Company, Inc., a corporation, and the Arizona City Development Corporation, a corporation; and Richard Kolar, individually and doing business as Kolar Sales Company, or under any other name or names; and respondents' agents, representatives, and employees, directly or through any corporate or other device, in connection with the offering for sale and sale of real estate, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Representing, directly or by implication:

1. That all lots of said land in Arizona City front on a paved road or street or are readily accessible from an established highway; provided, however, that the location of said land with respect to established highways may be stated and shown.

2. That the immediate vicinity of Arizona City consists of rich farmland.

3. That the number of lots available in Arizona City is restricted to a small quantity.

4. That Arizona City offers many employment opportunities or that Government projects, industrial plants, large retail stores or other large commercial establishments are to be built or installed in the immediate vicinity unless such establishments are under construction or bona fide contracts therefor have been entered into.

5. That respondents' agents or sales representatives are moving from Illinois or any locality to Arizona City.

6. That purchasers of said lots can obtain a refund of the purchase price unless the conditions pertaining to such refund are disclosed.

7. That Arizona City has a moderate climate unless disclosure is made of the highest and lowest seasonal temperatures.

B. Misrepresenting in any manner the location, climate, employment opportunities, or any other material feature of said land and its development.

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

IN THE MATTER OF

PATRICIA STEVENS, INC., ET AL.

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

Docket C-840. Complaint, Sept. 29, 1964—Decision, Sept. 29, 1964

Consent order requiring a Chicago operator of schools offering courses of instruction to persons seeking jobs as professional models, fashion advisers, burers, airline stewardesses, secretaries and receptionists, and careers in