

Complaint

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IN THE MATTER OF

HI-LINE, INC., ET AL.

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

Docket C-1447. Complaint, Nov. 5, 1968—Decision, Nov. 5, 1968

Consent order requiring a Westville, N.J., distributor of custom-built residential houses and leisure shell homes to cease using bait tactics, misrepresenting prices, terms, and conditions of its homes, using deceptive guarantee offers, neglecting to disclose that many of its houses are shells only, misrepresenting that "no down payment" is required, and furnishing means of such deception to others.

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 Hi-Line, Inc., a corporation, and Sam Gross, individually and as an officer of said corporation, and Grant S. Smith, individually and as a former officer of said corporation, and Louis A. Veronica, individually and as business manager 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 Hi-Line, 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 formerly located at R.D. #2, Chadds Ford, Pennsylvania, with present address Box 281, Westville, New Jersey.

Respondent Sam Gross is an officer of the corporate respondent, and respondent Grant S. Smith is a former officer of the corporate respondent. Respondent Louis A. Veronica is business manager of the corporate respondent. Said individual respondents formulated, directed and controlled the acts and practices of the corporate respondent, including the acts and practices herein-after set forth. The address of respondents Gross and Veronica is the same as that of the corporate respondent. The address of respondent Smith is 711 Potter Drive, Kennett Square, Pennsylvania.

PAR. 2. Respondents have engaged in the advertising, offering for sale, sale, construction and distribution of custom-built resi-

dential houses and leisure shell houses to the public.

PAR. 3. In the course and conduct of their business, respondents caused, their said products, when sold, to be shipped from their place of business in the State of Pennsylvania to purchasers thereof located in various other States of the United States, and maintained, and at all times mentioned herein have maintained, a substantial course of trade in said products in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their aforesaid business, and for the purpose of inducing the purchase of their products, respondents have made numerous statements and representations in newspaper advertisements and in the oral representations made by their representatives, agents or employees with respect to the nature of their offer, the terms and conditions of sale, financing requirements, degree of completion, and other characteristics of their products.

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

LOT OWNERS!
WHY WAIT?

(Picture of stone-front ranch styled house)

HI-LINE CAN BUILD THE
HOME YOU WANT—AT
A PRICE YOU CAN AFFORD!

Many beautifully modern designs from which to choose. More favorable and convenient financing than ever before! Closer personal attention by expert designers and builders. Plan now for your high quality, low-cost year-round or leisure home!

COMPLETE ON YOUR LOT OR OURS LOW as \$8,995

Leisure Lots and Homes Available In The Poconos

LOT OWNERS
MAIL THIS COUPON
TODAY!

(Picture of stone-front ranch style house with built-in garage)

Many beautiful designs from which to choose including this lovely stone-front rancher. Custom built homes on your lot or ours * * * from \$8,995

(Picture of Cabana model leisure house)

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Inexpensive, but luxurious leisure homes in the Poconos or at the shore
(lots available from \$3,695) * * *

Hi-Line has developed even more modern styles and designs * * * more
favorable and convenient financing * * * closer personal attention by
expert designers and builders. Plan now for your high-quality, low-cost
leisure or year-round home!

PLEASE RUSH A PICTURE OF MY NEW HOME!

Hi-Line Homes, R.D. 2, Box 293,
Chadds Ford, Pennsylvania.

Name _____
Address _____
City _____ State _____ Phone _____

Style Preferred _____ Ranch _____ Split Level _____ Bi-Level _____ Two-Story _____

We would like to spend \$ _____

We can afford payments of \$ _____

_____ We Own A Lot _____ We Need A Lot

_____ We are interested in a leisure Home

BUILD ON YOUR OWN LOT AND SAVE THOUSANDS!

HI-LINE OFFERS THIS

Custom-Built House On Your Lot For \$14,990

The Webster Model

- Hi-Line GIVES A 5 YEAR WARRANTY
- Fully Financed before construction begins. Up to 30 years at bank rates.
- No mortgage payments charged until you move into your new Hi-Line home.
- Your lot can be used as down payment.

Luxurious Homes in a choice location

School House Lane in picturesque Concord Township

(Picture of home with two-car garage)

Individual in design, spacious in plan, ideally located Custom built homes
with 3, 4, and 5 bedrooms including 2 stories, ranchers, split levels, con-
temporaries.

Priced from \$23,500

No cash required in most cases

PAR. 5. By and through the use of the aforesaid pictures,
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 by their
representatives, agents and employees to customers and prospec-

tive customers, respondents have represented, directly or by implication, that:

1. The offer set forth in such advertisements was a genuine and bona fide offer to sell houses of the kind illustrated and described at the prices and on the terms and conditions therein stated.

2. Houses of the kind illustrated and described were offered for sale at prices as low as \$8,995.

3. Houses of the kind illustrated and described were offered for sale in School House Lane at prices ranging from \$23,500.

4. A complete, custom-built house of the kind illustrated and described was offered for sale at the prices stated; and that respondents' leisure houses were custom-built and entirely complete when purchased.

5. Respondents offered a house of the kind illustrated and described and respondents' other houses at the prices and on the terms and conditions stated to the owner of an unimproved lot or parcel of real estate upon which said house was to be built.

6. A house of the kind illustrated and described and respondents' other houses were sold and financed without a down payment or other initial payment of money.

7. Respondents' houses were unconditionally guaranteed for a period of 5 years.

PAR. 6. In truth and in fact:

1. Said offer set forth was not a genuine or bona fide offer to sell houses of the kind illustrated and described in said advertisements and at the prices and on the terms and conditions stated. Said offer was made for the purpose of obtaining leads as to persons interested in the purchase of respondents' products. After obtaining such leads, respondents' representatives called upon such prospective purchasers or negotiated with such purchasers in the offices or places of business of respondents, and at such times and places made no effort to sell the houses at the prices and on the terms and conditions stated but induced such purchasers to purchase their houses at higher prices and under terms and conditions different from the stated terms and conditions.

2. Houses of the kind illustrated and described were not offered for sale at prices as low as \$8,995. Respondents' least expensive house was sold at a substantially higher price.

3. Houses of the kind illustrated and described were not offered for sale in School House Lane at prices ranging from \$23,500.

Respondents' houses in School House Lane were sold at no less than \$25,200.

4. A complete, custom-built house of the kind illustrated and described was not offered for sale at the prices stated. The illustrated and described house which was offered for sale did not include all of the various items normally included in a complete home, such as interior painting, driveways, front walks, sidewalks and landscaping. Such items were obtained at extra cost to the purchaser thereof which fact respondents failed to reveal.

Respondents' leisure houses were not custom-built or entirely complete when purchased. Respondents' leisure houses were shell houses which required additional items and fixtures at extra cost to the purchaser thereof which fact respondents failed to reveal.

Respondents' failure to reveal to the purchasing public the fact that the leisure houses were shell homes had the tendency and capacity to mislead and deceive the purchasing public into the erroneous and mistaken belief that said homes were custom-built homes.

5. Respondents did not offer a house of the kind illustrated and described and respondents' other houses at the prices and on the terms and conditions stated to the owner of an unimproved lot or parcel of real estate upon which the houses were to be built. Respondents required that said lot or real estate parcel be improved in certain respects or otherwise meet certain requirements imposed by respondents before it could be used to meet respondents' requirements for purchasing and financing said houses.

6. A house of the kind illustrated and described and respondents' other houses were not sold and financed without a down payment or other initial payment of money. Respondents' customers were required to make a down payment of \$200.

7. Respondents' houses were not unconditionally guaranteed for a period of 5 years. Such guarantee as might be provided was subject to numerous terms, conditions and limitations and failed to set forth the nature and extent of the guarantee and the manner in which the guarantor would perform thereunder. Furthermore, for a considerable period respondents had no guarantee in existence.

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

PAR. 7. By and through the use of the aforesaid acts and practices, respondents have placed in the hands of others the means and instrumentalities by and through which they may mislead

and deceive the public in the manner and as to the acts and practices hereinabove alleged.

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

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

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

The Commission having considered the agreement and having accepted same, and the agreement containing consent order having thereupon been placed on the public record for a period of 30 days, now in further conformity with the procedure prescribed in § 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:

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1. Respondent Hi-Line, 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 formerly located at R.D. #2, Chadds Ford, Pennsylvania, with present address Box 281, Westville, New Jersey.

Respondent Sam Gross is an officer of said corporation and respondent Grant S. Smith is a former officer of said corporation. Respondent Louis A. Veronica is business manager of said corporation. The address of respondents Gross and Veronica is the same as that of said corporation. The address of respondent Smith is 711 Potter Drive, Kennett Square, Pennsylvania.

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 Hi-Line, Inc., a corporation, and its officers, and Sam Gross, individually and as an officer of said corporation, and Grant S. Smith, individually and as a former officer of said corporation, and Louis A. Veronica, individually and as business manager of said corporation, and respondents' agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, offering for sale, sale or distribution or construction of houses, or other structures, or products, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Using, in any manner, a sales plan, scheme or device wherein false, misleading or deceptive statements or representations are made in order to obtain leads or prospects for the sale of houses or other products.

2. Making representations purporting to offer houses or other products for sale when the purpose of the representation is not to sell the offered house or other product but to obtain leads or prospects for the sale of other houses or other products.

3. Representing, directly or by implication, that any houses or other products are offered for sale when such offer is not a bona fide offer to sell such houses or other products.

4. Representing, directly or by implication, that houses or other products are offered for sale for certain prices or on stated terms: *Provided, however*, That it shall be a defense

in any enforcement proceeding instituted hereunder for respondents to establish that such house or other product may be purchased at the represented price, terms or conditions.

5. Illustrating or describing a higher priced home in conjunction with the price of a lower priced home.

6. Failing to quote and to disclose in advertising and promotional material the price of an illustrated or described home with equal size and conspicuousness as the price quoted for any other home.

7. Representing, directly or by implication, that respondents' houses are complete, or finished to any degree of completeness: *Provided, however*, That it shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that the house is completed or finished to the extent or degree represented.

8. Failing to disclose, clearly and conspicuously, in advertising and promotional material, the fact that a house is a shell house.

9. Quoting prices, terms or conditions in advertising which does not include all of the features of the house or other products illustrated or described.

10. Representing, directly or by implication, that respondents' offers are made available to owners of lots or parcels of real estate without clearly and conspicuously revealing any requirements, conditions or limitations applicable to said property such as but not limited to, value, location, size or improvements.

11. Representing, directly or by implication, that houses or other products may be purchased without a down payment or other initial payment.

12. Representing, directly or by implication, that any of respondents' products are guaranteed unless the nature, extent and duration of the guarantee, the identity of the guarantor and the manner in which the guarantor will perform thereunder are clearly and conspicuously disclosed and respondents do, in fact, deliver to each purchaser of their products a written copy of said guarantee setting forth each of the terms, conditions and limitations thereof.

13. Furnishing any means or instrumentalities to others whereby the public may be misled or deceived as to any of the matters or things prohibited by this order.

14. Failing to deliver a copy of this order to cease and de-

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sist to all present and future salesmen or other persons engaged in the sale of respondents' products or services, and failing to secure from each such salesman or other person a signed statement acknowledging receipt of said order.

15. Failing, after the acceptance of the initial report of compliance, to submit a report to the Commission, once every year during the next three years, describing all complaints respecting unauthorized representations, all complaints received from customers respecting representations by salesmen which are claimed to be deceptive, the acts uncovered by respondents in their investigation thereof and the action taken by respondents with respect to each such complaint.

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.
