

subsidiaries or any other change in the corporation which may affect compliance obligations arising out of the order.

IN THE MATTER OF

OWEN W. LOFTHUS TRADING AS METRO DISTRIBUTORS

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

Docket C-1793. Complaint, Sept. 15, 1970—Decision, Sept. 15, 1970

Consent order requiring a Washington, D.C., seller of an encyclopedia and certain other educational books to cease and desist from misrepresenting job opportunities to prospective salesmen, making various false and deceptive claims in the sale of *New Standard Encyclopedia* or any other books, misrepresenting that any of its books or bookcases are free and that the sales contract is a guarantee, failing to include on the face of all notes that they may be cancelled within three days, and failing to include in all contracts all the disclosures required by the Truth in Lending Act and Regulation Z.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and of the Truth in Lending Act and the regulations promulgated thereunder, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Owen W. Lofthus, individually and trading as Metro Distributors, hereinafter referred to as respondent, has violated the provisions of said Acts, and of the regulations promulgated under the Truth in Lending Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent is an individual trading under the name and style of Metro Distributors, with its principal office and place of

business located at Suite 653, Warner Building, 501 13th Street, N.W., in the city of Washington, D.C.

PAR. 2. Respondent is now, and for some time last past has been, engaged in the offering for sale, sale and distribution of *The New Standard Encyclopedia* and certain other educational books to the public and services in connection therewith.

COUNT I

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

PAR. 3. In the course and conduct of his business as aforesaid, respondent now causes, and for some time last past has caused, the said books, when sold to be shipped from the places of business of his suppliers, located in the State of Illinois and other States of the United States, to purchasers thereof located in various other States of the United States and at all times mentioned herein has maintained, a substantial course of trade in said books in commerce, as commerce is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of his aforesaid business, respondent sells said books at retail to the general public. Sales are made by respondent and his agents, representatives or employees who contact prospective purchasers in their homes.

Respondent has formulated, developed and carried out a plan for the purpose of attracting and acquiring sales employees and for the purpose of selling said books.

In furtherance of said plan, respondent has disseminated or caused to be disseminated, and now disseminates or causes to be disseminated, help-wanted advertisements in newspapers of general and interstate circulation and has made statements and representations designed and intended to induce individuals to apply for employment and training in respondents' organization in reliance thereon.

Typical and illustrative of the foregoing, but not all inclusive thereof, are the following:

Admin. Asst. TEN WOMEN will be hired by Metro Distributors, 13 & E N.W. this week to start a 90-day mgr. training program in our central office. Applicants are considered on neat appearance and a desire for a challenging career. EXP. NOT NEC. to be hired but must be minimum high school grad and over 18. Salary per mo. DURING TRAINING IS \$632.50 Call M. R. Gilbert. 783-4331 before 2 p.m. for personal interview TODAY.

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Also:

Admin. Asst. TEN MEN will be hired by Metro Distributors, 13 & E N.W. this week to start a 90-day mgr. training program in our central office. Applicants are considered on neat appearance and a desire for a challenging career. EXP. NOT NEC. to be hired but must be minimum high school grad and over 18. Salary per mo. DURING TRAINING IS \$632.50. Call M. R. Gilbert, 783-4331, before 2 p.m. for personal interview TODAY.

In furtherance of that part of the aforesaid plan to sell his books to prospective customers, respondent supplies his agents, representatives or employees with a "sales pitch" and sales material in connection therewith and instructs them to use and follow same. Said agents, representatives or employees utilize said sales presentation and material in orally soliciting the purchase of *The New Standard Encyclopedia* and other educational books. Respondent, in said sales presentation, and respondent's agents, representatives or employees, in the course of their sales talks, make many statements and representations concerning their own status and employment, the quality and characteristics, and the offer and price of the encyclopedia set and other books offered for sale by the respondent.

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, separately and in connection with the oral statements and representations of his salesmen and representatives, the respondent has represented, and is now representing, directly or by implication that:

1. Respondent has positions available as administrative assistants for young men and women who will take part in a 90-day manager trainee program.
2. Respondent will pay a salary of \$632.50 per month.
3. Respondent is doing business at more than one office location.
4. Employees of respondent are professional interviewers engaged in "brand identification analysis" as part of a promotional advertising campaign.
5. Respondent himself, and/or the encyclopedia company, is engaged in extensive national advertising.
6. The purchaser will receive an encyclopedia set free, or as payment in the form of merchandise, in return for a letter stating the purchaser's opinion of the encyclopedia set, permission to use the purchaser's name in future advertising, and the purchase of a loose-leaf updating service.
7. The encyclopedia set is not yet available in the general market and only a certain number of encyclopedia sets have been released, solely for the purpose of testimonial advertising.

8. All books in question are being made available to the purchaser at absolutely no profit to respondent or the encyclopedia company.

9. The purchaser has been specially selected to receive the encyclopedia set and other educational books.

10. A research service accompanying the encyclopedia set covers every conceivable type of information, with the exception of medical, legal and investment advice.

11. The customer will receive certain additional books and/or a bookcase free if he chooses to pay for the looseleaf service and research service over a two-year period instead of ten years.

12. All representations made by the salesman are fully guaranteed by the publishers of the encyclopedia.

13. The purchaser must sign a "guarantee" in order to receive the books.

14. A statement on the sales contract that: "Nothing in this offer is free; this is a combination offer and all items herein are included in the above total" is included in the contract for the sole purpose of avoiding, for the purchaser, the necessity of paying a federal gift tax for the "free" merchandise received.

15. The salesman is seeking certain personal background information for a character reference check to determine whether the encyclopedia set should be "placed" in the home and/or in order to get information to ensure a forwarding address, should the purchaser change his present address without informing the company.

PAR. 6. In truth and in fact:

1. The only positions respondent has available are positions as door-to-door salesmen, with a training period of three to four days.

2. Trainees recruited by respondent are usually not paid a set salary per month. Their only compensation is in the form of commissions on sales made by them.

3. Respondent has only one office location.

4. Employees of respondent are door-to-door salesmen with the sole object of selling encyclopedia sets and other educational books.

5. Respondent engages solely in help-wanted advertising as part of his recruiting program, and the encyclopedia publishers engage in only limited regional advertising.

6. The purchaser does not receive the encyclopedia set free or as payment in the form of merchandise in return for cooperating in the advertising program and purchasing the yearly supplements, but is paying the full price for the encyclopedia set.

7. The encyclopedia set is now available, and has been available for

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several decades, in the general market and has not been recently released solely for the purpose of testimonial advertising.

8. All books in question are being sold to the purchaser at the regular retail price, which includes a profit for both respondent and the encyclopedia company.

9. The purchaser has not been specially selected. The books in question are available for purchase by anyone desiring to buy them.

10. The research service made available as a part of the sale of the encyclopedia set is, in fact, limited to questions only of an encyclopedia nature, and is not available for all questions.

11. The purchaser has no choice as to the number and length of payments. All books and merchandise received by the purchaser are paid for by the purchaser.

12. Any representations made by employees of respondents are disclaimed by the publishers of the encyclopedia.

13. The purchaser must sign a sales contract in order to receive the books.

14. The statement on the sales contract that none of the items offered to the customer are free is true.

15. The background information sought by the salesman is for the purpose of a credit check to determine whether the purchaser is financially qualified to buy the encyclopedia set and other books in question.

Therefore, the statements and representations as set forth in Paragraphs 4 and 5 hereof were and are false, misleading, and deceptive.

PAR. 7. In the further course and conduct of his business, and in furtherance of a sales program for inducing the purchase of his encyclopedias and other educational books, respondent and his sales personnel or representatives have engaged in the following unfair and false, misleading and deceptive acts and practices:

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

Therefore, the acts and practices as set forth in Paragraph Seven

hereof, were and are unfair and false, misleading and deceptive acts and practices.

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

PAR. 9. The use by respondent of the aforesaid false, misleading, and deceptive statements, representations, and practices has had, and now has, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were and are true and to enter into contracts for the purchase of respondent's products because of such erroneous and mistaken belief.

The use by respondent of the aforesaid statements and representations in connection with the recruitment of personnel to sell encyclopedia sets and related educational books has had, and now has, the capacity and tendency to mislead prospective employees into the erroneous and mistaken belief that such statements and representations were, and are, true and to induce them to respond to such advertisements and to enter into respondent's employment in reliance thereon.

PAR. 10. 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.

COUNT II

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

PAR. 11. In the ordinary course and conduct of his business, as aforesaid, respondent regularly extends, and for some time last past has regularly extended, consumer credit as "consumer credit" is defined in Regulation Z, the implementing Regulation of the Truth in Lending Act duly promulgated by the Board of Governors of the Federal Reserve System.

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PAR. 12. Subsequent to July 1, 1969, respondent in the ordinary course and conduct of his business and in connection with credit sales as "credit sales" is defined in Regulation Z, has caused and induced, and is causing and inducing his customers to execute retail installment contracts, hereinafter referred to as the contracts.

PAR. 13. By and through the use of the contract, respondent:

(a) Fails to designate the amount of the cash price as "cash price" as required by Section 226.8(c)(1) of Regulation Z.

(b) Fails to designate the amount of the downpayment in money as "cash downpayment," as required by Section 226.8(c)(2) of Regulation Z.

(c) Fails to disclose the amount of the difference between the cash price and the cash downpayment, and to designate it as the "unpaid balance of cash price," as required by Section 226.8(c)(3) of Regulation Z.

(d) Fails to disclose the amount of the amount financed, and to designate it as "amount financed," as required by Section 226.8(c)(7) of Regulation Z.

(e) Fails to disclose the date on which the finance charge begins to accrue, as required by Section 226.8(b)(1) of Regulation Z.

(f) Fails to disclose the dollar amount of finance charge, and to designate it as a "finance charge," as required by Section 226.8(c)(8) of Regulation Z.

(g) Fails to disclose the number of payments scheduled to repay the indebtedness, as required by Section 226.8(b)(3) of Regulation Z.

(h) Fails to disclose the amount of the sum of the payments scheduled to repay the indebtedness, and to designate the sum as "total of payments," as required by Section 226.8(b)(3) of Regulation Z.

(i) Fails to disclose the amount of the deferred payment price, and to designate it as "deferred payment price," as required by Section 226.8(c)(8)(ii) of Regulation Z.

(j) Fails to make all the required disclosures in any one of the following three ways, as required by Sections 226.8(a) and 226.801 of Regulation Z:

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

(2) On one side of a separate statement which identifies the transaction; or

(3) On both sides of a single document containing on each side

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thereof the statement "*NOTICE*: See other side for important information," with the place for the customer's signature following the full content of the document.

(k) Fails to make all of the disclosures required by Section 226.8 of Regulation Z before consummation of the credit transactions, in violation of Section 226.8(a) of Regulation Z.

PAR. 14. Respondent, through his door-to-door salesman and solicitors, delivers sales talks to prospective purchasers, which talks constitute advertisements, as "advertisement" is defined in Regulation Z. In these talks, respondent makes and for some time last past has made, certain statements which aid, promote, or assist directly or indirectly the extension of consumer credit and credit sales as "consumer credit" and "credit sale" are defined in Regulation Z, of which the following statements are illustrative, but not all-inclusive:

We could make available to you everything you see and our personal services for 10 years at an average cost of 13¢ a day

Take a year and a half to handle it at only \$1 per day

If you handle the 10 year program making each month as a year you'd handle the complete program in only 10 months, but then you'd have to save \$1.50 everyday.

PAR. 15. By and through the use of the advertisements referred to in Paragraph Fourteen hereof, respondent represents and has represented, directly or by implication, that credit can be arranged in the specified installment amount and for the specified period.

In truth and in fact, respondent does not usually and customarily arrange installments in the amounts represented nor for the specified periods, in violation of Section 226.10(a)(1) of Regulation Z.

PAR. 16. Respondent, through his aforesaid door-to-door salesmen and solicitors, delivers sales talks to prospective purchasers, which talks constitute advertisements, as "advertisement" is defined in Regulation Z. In these talks, respondent makes and for some time last past has made, certain statements which aid, promote, or assist directly or indirectly the extension of consumer credit and credit sales as "consumer credit" and "credit sale" are defined in Regulation Z, of which the following statement is illustrative, but not all-inclusive:

Now there's not a downpayment or deposit like 10, 20 or 30% with the order, but this spot is for whatever you'd like to send along today.

PAR. 17. By and through the use of the advertisements referred to in Paragraph Sixteen hereof, respondent represents and has represented, directly or by implication, that no downpayment is necessary in connection with the extension of credit.

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In truth and in fact, respondent usually and customarily accepts a downpayment, in violation of Section 226.10(a)(2) of Regulation Z.

PAR. 18. By and through the use of the advertisements referred to in Paragraph Fourteen hereof, respondent states the amount of an installment payment, and the period of repayment, without stating all of the following items, in terminology prescribed under Section 226.8 of Regulation Z, as required by Section 226.10(d)(2) of Regulation Z:

- (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 credit is extended.
- (d) The amount of the finance charge expressed as an annual percentage rate, and
- (e) The deferred payment price.

PAR. 19. Respondent, through his aforesaid door-to-door salesmen and solicitors, delivers sales talks to prospective purchasers, which talks constitute advertisements, as "advertisement" is defined in Regulation Z. In these talks, respondent makes and for some time last past has made, certain statements which aid, promote, or assist directly or indirectly the extension of consumer credit and credit sales as "consumer credit" and "credit sale" are defined in Regulation Z, of which the following statement is illustrative, but not all-inclusive:

... when you write out a check add into your total 1% for what is called a finance charge

PAR. 20. By and through the use of these advertisements referred to in Paragraph Nineteen hereof, respondent states the rate of finance charge without stating the rate of that charge expressed as an "annual percentage rate" and without designating it as the "annual percentage rate," as required in Section 226.10(d)(1) of Regulation Z.

PAR. 21. Pursuant to Section 105 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, respondents thereby violated the Federal Trade Commission Act.

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The Commission having heretofore determined to issue its complaint charging the respondent named in the caption hereof with violation of the Federal Trade Commission Act and of the Truth in

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Lending Act and the regulations promulgated thereunder, and the respondent 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 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 complaint to issue herein, 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 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 thirty (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:

1. Respondent Owen W. Lofthus is an individual trading under the name and style of Metro Distributors, with his principal office and place of business located at Suite 653, Warner Building, 501 13th Street, N.W. in the city of Washington, D.C.

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

I

It is ordered, That respondent, Owen W. Lofthus, an individual trading as Metro Distributors, or under any other name or names and respondent's agents, representatives, and employees, directly or through any corporate or other device in connection with the advertising, offering for sale, sale or distribution of encyclopedias or other books or publications, services in connection therewith or any other products, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing, directly or by implication that:

- a. Jobs are available or applicants are sought as management trainees for junior executive positions and/or professional interviewers; or misrepresenting in any manner, the type or kind of employment offered;

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b. Respondent is doing business at more than one office location;

c. A salary or income is being paid for any job or position when only a commission is paid to those accepting the employment; or misrepresenting, in any manner, the amount or method of compensating employees;

d. Respondent's representatives are conducting a survey for the purpose of brand-identification analysis; or are interviewing and soliciting only a select group of people for the purpose of obtaining an endorsement of the *New Standard Encyclopedia* or any other books; or that respondent's representatives are professional interviewers engaged in an advertising promotional campaign; or misrepresenting, in any manner, the purpose of the call or interview by respondent's representatives with prospective purchasers;

e. The prospective customer may obtain a set of the *New Standard Encyclopedia* free, or at a reduced price, merely by writing a letter of opinion thereon, or permitting the use of the customer's name in advertising, or purchasing an updating service, or that any of the books sold by respondent may be obtained by any means other than the payment of respondent's current price;

f. The customer will receive certain additional books and/or a bookcase free if he will pay for the yearly supplement service within a two-year instead of a 10-year period;

g. The encyclopedia set and any other books offered for sale by respondent are "brand new" and not yet available on the general market, or misrepresenting in any manner their quality, age or distribution;

h. Respondent and/or the encyclopedia company is engaged in extensive national advertising;

i. Neither respondent, nor the encyclopedia company, is earning a profit through any purchase made by the homeowner;

j. The homeowner has been specially selected to receive the encyclopedia and/or any other books;

k. The research service accompanying the encyclopedia set covers any type of information not actually included in such service;

l. The sales contract is a guarantee;

m. The encyclopedia company fully guarantees all statements by respondent's employees;

n. The statement on the sales contract that no items in-

cluded in the sale are free is printed in the contract to avoid the payment of a federal gift tax;

o. Credit information requested by the salesman is for a character reference check or to ensure a forwarding address should the homeowner move and fail to inform the company of his new address.

2. Failing to incorporate the following statement clearly and conspicuously on the face of all notes or other evidence of indebtedness executed by respondent's customers which, in the hands of any holder in due course would not be subject to all defenses which would be available to the customer in an action by respondent:

"Notice"

"Any holder of this instrument takes this instrument subject to all defenses of the maker hereof which would be available to said maker in any action arising out of the contract which gave rise to the execution of this instrument if such action had been brought by any party to said contract."

It is further ordered, That the respondent herein shall, in connection with the offering for sale, sale, or distribution of encyclopedias, books, or publications or supplements in connection therewith or any other article of merchandise, when the offer for sale or sale is made in the buyer's home, forthwith cease and desist from:

(1) 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 date of execution.

(2) Failing to disclose, orally prior to the time of sale and in writing on any trade acceptance, conditional sales contract, promissory note or other instrument executed by the buyer with such conspicuousness and clarity as likely to be observed and read by such buyer, that the buyer may rescind or cancel the sale by directing or mailing a notice of cancellation to respondent's address prior to midnight of the third day, excluding Sundays and legal holidays, after the date of the sale. Upon such cancellation the burden shall be on respondent to collect any goods left in buyer's home and to return any payments received from the buyer. Nothing contained in this right-to-cancel provision shall relieve buyers of the responsibility for taking reasonable care of the goods prior to cancellation and during a reasonable period following cancellation.

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

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

II

It is further ordered, That respondent herein, his agents, representatives and employees, directly or through any corporate or other device, in connection with any consumer credit sale as "credit sale" is defined in Regulation Z (12 CFR Part 226) of the Truth in Lending Act (Public Law 90-321, 15 U.S.C. 1601 *et seq.*), or in connection with any advertisement to aid, promote, or assist directly or indirectly any extension of consumer credit as "advertisement" and "consumer credit" are defined in Regulation Z, do forthwith cease and desist from:

1. Failing to designate the amount of the cash price as "cash price," in accordance with Section 226.8(c) (1) of Regulation Z.
2. Failing to designate the amount of the downpayment in money as "cash downpayment," in accordance with Section 226.8(c) (3) of Regulation Z.
3. Failing to disclose the amount of the difference between the cash price and the cash downpayment, and to designate it as "unpaid balance of cash price," in accordance with Section 226.8(c) (3) of Regulation Z.
4. Failing to disclose the amount of the amount financed, and to designate it as "amount financed," as required by Section 226.8(c) (7) of Regulation Z.
5. Failing to disclose the date on which the finance charge begins to accrue, as required by Section 226.8(b) (1) of Regulation Z.
6. Failing to disclose the dollar amount of the finance charge, and to designate it as "finance charge," in accordance with Section 226.8(c) (8) (i).
7. Failing to disclose the number of payments scheduled to

repay the indebtedness, as required by Section 226.8(b)(3) of Regulation Z.

8. Failing to disclose the amount of the sum of the payments scheduled to repay the indebtedness, and to designate it as "total of payments," in accordance with Section 226.8(b)(3) of Regulation Z.

9. Failing to disclose the amount of the deferred payment price, and to designate it as "deferred payment price," in accordance with Section 226.8(c)(8)(ii) of Regulation Z.

10. Failing to make all the required disclosures in one of the following three ways, in accordance with Section 226.8(a) or 226.801 of Regulation Z:

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

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

(c) On both sides of a single document containing on each side thereof the statement "Notice" "See other side for important information," with the place for the customer's signature following the full content of the document.

11. Failing to make all of the disclosures required by Section 226.8 of Regulation Z before consummation of the credit transactions, in accordance with Section 226.8(a) of Regulation Z.

12. Representing, directly or indirectly, that credit in a specified installment amount can be arranged unless respondents usually and customarily arrange installments in the advertised amount and for the advertised period, in accordance with Section 226.10(a)(1) of Regulation Z.

13. Representing, directly, or indirectly that no downpayment will be accepted unless respondent usually and customarily accepts no downpayment, in accordance with Section 226.10(a)(2) of Regulation Z.

14. Representing directly or indirectly the amount of any installment payment and period of repayment without stating all of the following items, in the terminology prescribed under Section 226.10(d)(2) of Regulation Z:

(a) The cash price;

(b) The amount of the downpayment required;

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

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(d) The amount of the finance charge expressed as an "annual percentage rate"; and

(e) The deferred payment price.

15. Representing the rate of finance charge without disclosing it as an "annual percentage rate," using that term, as required by Section 226.10(d)(1) of Regulation Z, computed in accordance with the provisions of Section 226.5 of Regulation Z.

16. Failing to make all the disclosures required by Regulation Z to be made in connection with any consumer credit transaction or advertisement, in accordance with Sections 226.5, 226.6, 226.8 and 226.10 of Regulation Z.

III

It is further ordered, That respondent herein shall forthwith cease and desist from failing to deliver a copy of this order to cease and desist to all present and future salesmen, solicitors or other persons employed by or through any respondent, who is engaged in soliciting for or selling any publication, product or service, and shall secure from each such salesman, solicitor or other person a signed statement acknowledging receipt of said order.

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

By the Commission, with Chairman Kirkpatrick not participating.

IN THE MATTER OF

HERCULES INCORPORATED, ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF SEC. 7
OF THE CLAYTON ACT