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IN THE MATTER OF  
GENERAL SALES CORPORATION, ET AL.

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

*Docket C-2025. Complaint, Sept. 3, 1971—Decision, Sept. 3, 1971*

Consent order requiring Witchita, Kans., sellers and distributors of beef and other meat products to cease failing to disclose its ungraded meat as such, using bait offers, failing to disclose the fat trim, bone, and shrink loss of its meat, and failing to place on the face of its sales contracts a notice that

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they may be sold to third parties who may require payment in full even if contract is not fulfilled; respondents are required to comply with the terms of Regulation Z of the Truth in Lending Act.

## COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and 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 General Sales Corporation, a corporation; Farmers Quality Meats, Inc., a corporation; Raymond Barlow, individually and as an officer and director of said corporations; and Willard L. Gettle, Jr., individually and as an officer and director of Farmers Quality Meats, Inc., and as a director of General Sales Corporation, hereinafter referred to as respondents, have violated the provisions of said acts, and it appearing to the Commission that a proceeding by it in respect thereto would be in the public interest, hereby issues its complaint, stating its charge in that respect as follows:

PARAGRAPH 1. Respondents, General Sales Corporation and Farmers Quality Meats, Inc., are corporations, organized, existing, and doing business under and by virtue of the laws of the State of Kansas, with their principal office and place of business located at 502 New York, Wichita, Kansas.

Respondent Raymond Barlow is an individual and an officer and director of said corporations and Willard L. Gettle, Jr., is an individual and an officer and director of Farmers Quality Meats, Inc., and a director of General Sales Corporation. They formulate, direct, and control the acts and practices of the corporate respondents, including the acts and practices hereinafter set forth. Their address is the same as that of the corporate respondents.

Respondents have traded as Mini-Max Meats, Missoula Beef Company, and The Wichita Beef Company. Respondent Farmers Quality Meats, Inc., has traded as Mini-Max Meats in the following areas: Wheatridge, Colorado; North Carolina; Middlebury, Vermont; Mays Landing, New Jersey; and Amarillo, Texas. Respondents Raymond Barlow and Willard L. Gettle have traded as the Missoula Beef Company in Missoula, Montana. Respondents have traded as Wichita Beef Company in Wichita, Kansas.

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

PAR. 3. In the course and conduct of their business, respondents have disseminated and caused the dissemination of certain advertisements by various means in commerce as "commerce" is defined in the Federal Trade Commission Act, including advertisements in daily newspapers and on television for the purpose of inducing, and which were likely to induce, directly or indirectly, the purchase of food, as the term "food" is defined in the Federal Trade Commission Act; and having disseminated and caused the dissemination of advertisements by various means, including those aforesaid, for the purpose of inducing, and which were likely to induce, directly or indirectly, the purchase of food in commerce, as "commerce" is defined in the Federal Trade Commission Act.

Typical and illustrative of the statements appearing in the newspaper advertisements disseminated as aforesaid, but not all inclusive thereof, are the following:

Guaranteed Tender U.S. INSPECTED BEEF HALVES 35¢ lb.

U.S.D.A. INSPECTED BEEF HINDS—49¢ lb.

ALL MEAT SOLD GROSS WEIGHT SUBJECT TO CUTTING LOSS

GUARANTEE—Mini-Max Meats are guaranteed tender and delicious in writing or your order will be cheerfully replaced on the amount returned within ten (10) days.

All orders subject to vary in size and weight.

PAR. 4. Through the use of aforesaid advertisements and others of similar import and meaning, not specifically set out herein, respondents have failed to adequately disclose certain material facts in the aforesaid advertisements. Respondents have engaged in the following unfair and deceptive acts and practices in connection with the advertising, offering for sale, and sale of beef and meat products:

1. Used the terms "U.S. Inspected," "Government Inspected," "U.S.D.A. Inspected" without clearly and conspicuously disclosing that the beef which is offered for sale is ungraded. Respondents' failure to make such disclosure has the capacity and tendency to lead prospective customers to believe that the beef has been quality graded by the U.S.D.A. but the grade has been omitted by the respondents.

2. Used the terms "All orders sold gross hanging weight and subject to cutting loss," "All orders subject to vary in size and weight,"

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and "Yield 5" without clearly and conspicuously stating the average percentage of weight loss as the result of trimming. Respondents' failure to make such disclosure has the capacity and tendency to lead prospective customers to believe that there is minimal waste in cutting and trimming and, therefore, the price per pound quoted in the advertisements represents a realistic figure for comparison in the marketplace.

PAR. 5. Through the use of aforesaid advertisements and others of similar import and meaning not specifically set out herein, respondents have represented, directly and by implication:

That the offer to sell beef that has not been quality graded at thirty-five (35) and forty-nine (49) cents per pound is a bona fide offer to sell such merchandise at these prices.

PAR. 6. In truth and in fact:

The offer to sell beef at thirty-five (35) and forty-nine (49) cents per pound is not a bona fide offer, but on the contrary is made for the purpose of inducing the public to come to respondents' places of business. When customers have responded and gone to said places of business, respondents' employees and representatives have on many occasions either refused to sell the specially advertised, ungraded beef or disparaged the specially advertised, ungraded beef in one of the following manners:

- a. By pointing out that there will be an excessive weight loss in trimming and cutting said beef.
  - b. By display of the specially advertised, ungraded beef in a moldy, unappetizing appearance.
  - c. By oral statements disparaging the products as to its quality.
- Subsequent to this refusal or disparagement, respondents' employees and representatives attempt to, and usually do, sell beef at higher prices to said customers.

Therefore, the advertisements referred to in Paragraphs Three, Four, and Five were, and are, misleading in material respects and constituted and now constitute "false advertisements" as that term is defined in the Federal Trade Commission Act.

PAR. 7. In the further course and conduct of their business, and in the furtherance of a sales program for inducing the purchase of beef or meat products, respondents and their salesmen or representatives have, in a substantial number of instances and in the usual course of their business, negotiated instruments of customer indebtedness, procured by the aforesaid unfair, false, misleading, and deceptive means, 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, may cut off various personal defenses, otherwise available to the obligor, arising out of respondents' failure to perform or out of other unfair, false, misleading or deceptive acts and practices on the part of respondents.

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

PAR. 8. In the course and conduct of their business at all times mentioned herein, respondents have been in substantial competition, in commerce, with corporations, firms, and individuals in the sale of beef and meat products 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 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 dissemination by respondents of the false advertisements, as aforesaid, and the aforesaid acts and practices of the respondents, as herein alleged, were and are, all to the prejudice and injury of the public and of respondents' competitors; and constituted, and now constitute, unfair methods of competition, in commerce, and unfair and deceptive acts and practices, in commerce, in violation of Sections 5 and 12 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 above 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, respondents have caused newspaper advertisements to be published which promote, aid, or assist, directly or indirectly, consumer credit sales of their beef or meat products. In these advertisements, respondents have stated the amount of the down payment, the amount of installment payment, and the number of installments, without disclosing all of the following items in terminology described under Section 226.8 of Regulation Z, as required by Section 226.10(d) (2) of Regulation Z:

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1. The cash price;
2. The amount of down payment required;
3. The amount of payment scheduled to repay the indebtedness if credit is extended;
4. The amount of the finance charge expressed as an Annual Percentage Rate; and
5. The deferred payment price of the item advertised.

Typical and illustrative of the statements appearing in the newspaper advertisements disseminated as aforesaid, but not all inclusive thereof, are the following:

## HAND PICKED

That's only \$32.94 per month for 6 months

AVG. WGT. 250 lbs. and up.

THE VERY BEST!

250-lb. EXTRA LEAN

\$32.92 Per mo. for 6 months

"Pick of the House"

## BEEF ORDERS

\$8.58 PER WK. FOR 17 WKS. SAME AS CASH \* \* \* NO MONEY DOWN

PAR. 12. By the aforesaid failure to make the disclosures in the newspaper advertisements as set forth in Paragraph Eleven, respondents have failed to comply with the requirements of Regulation Z, and have violated the Truth in Lending Act pursuant to Section 105 of that Act. 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 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, and 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 thirty (30) days, and having duly considered the comments filed thereafter, 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. Respondents General Sales Corporation and Farmers Quality Meats, Inc., are corporations, organized, existing, and doing business under and by virtue of the laws of the State of Kansas, with their principal office and place of business located at 502 New York, Wichita, Kansas.

Respondent Raymond Barlow is an individual and an officer and director of said corporations and Willard L. Gettle, Jr., is an individual and an officer and director of Farmers Quality Meats, Inc., and a director of General Sales Corporation. They formulate, direct, and control the acts and practices of the corporate respondents, including the acts and practices hereinafter set forth.

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 General Sales Corporation and Farmers Quality Meats, Inc., corporations, and Raymond Barlow, individually and as an officer and director of said corporations, and Willard L. Gettle, Jr., individually and as an officer and director of Farmers Quality Meats, Inc., and as a director of General Sales Corporation, and respondents' agents, representatives, and employees, directly or through any corporate or other device in connection with the advertising, offering for sale, sale, or distribution of beef or meat products in commerce as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

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

1. Includes an offer of beef which has not been graded as to quality without disclosing conspicuously, that the meat which is offered for sale is ungraded; or

2. Misrepresents in any material manner the grade of any beef or other meat product.

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

1. That any such products are offered for sale when such offer is not a bona fide offer to sell such products at the price or prices stated.

2. That any products are offered for sale when the purpose of such representations is not to sell the offered products but to obtain prospects for the sale of other merchandise at higher prices, all as generally described in Paragraphs Four, Five and Six of the complaint.

C. Disseminating, or causing the dissemination of any advertisement by any means in commerce, as "commerce" is defined in the Federal Trade Commission Act, or by means of the United States mails in which beef is advertised or sold by gross weight, without disclosing conspicuously:

1. The average percentage of weight loss as the result of fat trim, bone, and shrink loss for each yield grade of beef as determined by the United States Department of Agriculture; and

2. That said beef is being sold at a gross weight and will have a weight loss as a result of fat trim, bone and shrink loss.

D. Discouraging the purchase of, or disparaging in any manner, any products which are advertised or offered for sale in advertisements disseminated, or caused to be disseminated, by respondents, in commerce, as "commerce" is defined in the Federal Trade Commission Act, or by means of the United States mails.

E. Misrepresenting in any manner the beef or meat products available for purchase at respondents' place of business.

F. Disseminating, or causing to be disseminated, any advertisement by any means, for the purpose of inducing, or which is likely to induce, directly or indirectly, the purchase of respondents' products in commerce, as "commerce" is defined in the Federal Trade Commission Act, which advertisement contains any of the

representations or misrepresentations prohibited in Paragraphs A, B, or C, above.

G. Failing to incorporate the following statement on the face of all contracts executed by respondents' customers with such conspicuousness and clarity as is likely to be observed, read and understood by the purchaser:

Important Notice

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

II

*It is further ordered,* That respondents General Sales Corporation and Farmers Quality Meats, Inc., corporations, and Raymond Barlow, individually and as an officer and director of said corporations, and Willard L. Gettle, Jr., individually and as an officer and director of Farmers Quality Meats, Inc., and as a director of General Sales Corporation, and respondents' agents, representatives, and employees, directly or through any corporate or other device in connection with any extension of consumer credit or any advertisement to aid, assist, or promote directly or indirectly any extension of consumer credit, as "consumer credit" and "advertisement" are defined in Regulation Z (12 CFR § 226) of the Truth in Lending Act (Public Law 90-321, 15 U.S.C. 1601 *et seq.*), do forthwith cease and desist from:

A. Representing, directly or by implication, in any advertisement as "advertisement" is defined in Regulation Z, the amount of the downpayment required, or that no downpayment is required, the amount of any installment payment, the dollar amount of any finance charge, the number of installments or the period of repayment, or that there is no charge for the credit, unless all of the following items are stated in terminology prescribed under Section 226.8 of Regulation Z:

1. The cash price;
2. The amount of the downpayment required or that no downpayment is required, as applicable;
3. The number, amount, and due dates of period of payments scheduled to repay the indebtedness if the credit is extended;

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

5. The deferred payment price.

B. Failing in any consumer credit transaction or advertisement to make all disclosures determined in accordance with Section 226.4 and Section 226.5 of Regulation Z in the manner, form, and amount required by Sections 226.7, 226.8, 226.9, 226.10 of Regulation Z.

*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.

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

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

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

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IN THE MATTER OF

FUR DRESSERS BUREAU OF AMERICA, INC., ET AL.

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

*Docket C-2026. Complaint, Sept. 3, 1971—Decision, Sept. 3, 1971*

Consent order requiring the Fur Dressers Bureau of America, an association of certain New York City handlers of furs which provide a service termed "dressing" which furnishes manufacturers with fur products ready to be manufactured into garments, and its constituent members to cease fixing prices for the dressing of fur products, engaging in any credit reporting