

report in writing setting forth the manner and form in which it has complied with this order.

IN THE MATTER OF

McMAHANS FURNITURE ENTERPRISES, ET AL.

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

Docket C-2247. Complaint, July 12, 1972—Decision, July 12, 1972.

Consent order requiring a Santa Monica, California, furniture retailer and 43 related furniture retailers, among other things, to cease violating the Truth in Lending Act by failing to disclose to customers the annual percentage rate, the total number of payments, the method of computing penalty charges, the cash price, the unpaid balance of the cash price, the deferred payment price, the cash downpayment required and other disclosures required by Regulation Z of the said Act.

COMPLAINT

Pursuant to the provisions of the Truth in Lending Act and the regulations promulgated thereunder, and the Federal Trade Commission Act, and by virtue of the authority vested in it by the said Acts, the Federal Trade Commission, having reason to believe that the parties named in the caption hereof and more particularly described and referred to hereinafter as respondents, have violated the provisions of said Acts, 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 McMahan Furniture Enterprises is a partnership organized, existing and doing business in the State of California, trading and doing business as McMahan—Norwalk, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents McMahan of Bakersfield, McMahan of Delano, McMahan of Inglewood, and McMahan of Bellflower are corporations organized, existing and doing business under and by virtue of the laws of the State of California, and they, and respondent Raymond McLaughlin, an individual, are also co-partners trading and doing business as the said McMahan Furniture Enterprises. The said corporations and individual formulate, direct, and control the policies, acts, and practices of the said partnership and their office and principal place of business is the same as that of the said partnership.

Respondents Ivers Furniture Co., McMahan of Corcoran, McMahan Furniture of Reno, Inc., and McMahan of Huntington Park are corporations organized, existing and doing business under and by virtue of the laws of the State of California, with their office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondent McMahan of Redondo Beach is a corporation organized, existing and doing business under and by virtue of the laws of the State of California, trading and doing business as McMahan of Lawndale, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents McMahan Furniture Company—East Bakersfield—Taft, McMahan Furniture Company—Culver City, McMahan Furniture Company—Crenshaw, and McMahan—Del Amo are partnerships organized, existing and doing business in the State of California, with their office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents Jacqueline McMahan and James A. McMahan are individuals and co-partners trading and doing business as the said McMahan Furniture Company—East Bakersfield—Taft, as the said McMahan Furniture Company—Culver City, as the said McMahan Furniture Company—Crenshaw, and as the said McMahan—Del Amo. They formulate, direct, and control the policies, acts, and practices of the said partnerships and their address is the same as that of the said partnerships.

The said respondent James A. McMahan is also an officer of the said McMahan of Bakersfield, McMahan of Delano, McMahan of

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Inglewood, McMahans of Bellflower, Ivers Furniture Co., McMahans of Corcoran, McMahans Furniture of Reno, Inc., McMahans of Huntington Park, and McMahans of Redondo Beach, and is an individual trading and doing business as McMahans of Wasco and McMahans of Valley Plaza, with his office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California. He formulates, directs, and controls the policies, acts, and practices of the said corporations and the said proprietorships.

Respondents McMahans of Pasadena, McMahans of North Hollywood, McMahans of Van Nuys, McMahans of Glendale, McMahans of Eureka, McMahans of San Fernando, and McMahans of Sacramento are corporations organized, existing and doing business under and by virtue of the laws of the State of California, with their office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondent McMahans Furniture Company—Redding is a partnership organized, existing, and doing business in the State of California, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondent McMahans of Burbank is a corporation organized, existing, and doing business under and by virtue of the laws of the State of California, and it, and respondents J. M. Schaaf and Julian A. Ganz, Jr., individuals, are co-partners trading and doing business as the said McMahan Furniture Company—Redding. The said corporation and individuals formulate, direct, and control the policies, acts, and practices of the said partnership and their office and principal place of business is the same as that of the said partnership.

Respondent McMahans Furniture Company—Klamath Falls is a partnership organized, existing, and doing business in the State of California, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents McMahans of Lancaster and McMahans of Marysville are corporations organized, existing and doing business under and by virtue of the laws of the State of California, and they, and the said respondent Julian A. Ganz, Jr., are also co-partners trading and doing business as the said McMahans Furniture Company—Klamath Falls. The said corporations and individual formulate, direct, and control the policies, acts, and practices of the said partnership and their office and principal place of business is the same as that of the said partnership.

Respondent McMahans Furniture Company of Van Nuys is a partnership organized, existing, and doing business in the State of Cali-

fornia, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents Julian A. Ganz, Jr., and Thomas E. Inch are individuals and co-partners trading and doing business as the said McMahan Furniture Company of Van Nuys. They formulate, direct, and control the policies, acts, and practices of the said partnership and their address is the same as that of the said partnership.

Respondent McMahan Furniture Company—Chico #34 is a partnership organized, existing, and doing business in the State of California, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents J. M. Schaaf and Julian A. Ganz, Jr., are individuals and co-partners trading and doing business as the said McMahan Furniture Company—Chico #34. They formulate, direct, and control the policies, acts, and practices of the said partnership and their address is the same as that of the said partnership.

Respondent McMahan Furniture Company—Reseda #22 is a partnership organized, existing, and doing business in the State of California, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents Thomas E. Inch and Rebecca Inch are individuals and co-partners trading and doing business as the said McMahan Furniture Company—Reseda #22. They formulate, direct, and control the policies, acts, and practices of the said partnership and their address is the same as that of the said partnership.

The said respondent J. M. Schaaf is also an officer of the said McMahan of Huntington Park, McMahan of Pasadena, McMahan of North Hollywood, McMahan of Van Nuys, McMahan of Glendale, McMahan of Eureka, McMahan of Burbank, and McMahan of Lancaster. He formulates, directs, and controls the policies, acts, and practices of the said corporations and his address is the same as that of the said corporations.

The said respondent Julian A. Ganz, Jr., is also an officer of the said McMahan of Glendale, McMahan of Eureka, McMahan of San Fernando, McMahan of Sacramento, McMahan of Lancaster, and McMahan of Marysville. He formulates, directs, and controls the policies, acts, and practices of the said corporations and his address is the same as that of the said corporations.

Respondent McMahan of Baldwin Park is a corporation organized, existing, and doing business in the State of California, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

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Respondents McMahan Furniture Company—Monrovia and McMahan Furniture Company—El Monte are partnerships organized, existing and doing business in the State of California, with their office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondent McMahan Furniture Company—Alhambra is a partnership organized, existing and doing business in the State of California, trading and doing business as McMahan Furniture Company—Azusa, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents Raymond E. McCasline and Marjorie McCasline are individuals, officers of the said McMahans of Baldwin Park, and co-partners trading and doing business as the said McMahan Furniture Company—Monrovia, as the said McMahan Furniture Company—El Monte, and as the said McMahan Furniture Company—Alhambra. They formulate, direct, and control the policies, acts, and practices of the said corporation and of the said partnerships and their address is the same as that of the said corporation and partnerships.

Respondents McMahans of East Long Beach and McMahans of San Pedro are corporations organized, existing and doing business under and by virtue of the laws of the State of California, with their office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondent Delia J. McMahan is an officer of the said McMahans of East Long Beach and McMahans of San Pedro. She formulates, directs, and controls the policies, acts, and practices of the said corporations and her address is the same as that of the said corporations.

Respondent McMahans Furniture Company of Long Beach is a partnership organized, existing, and doing business in the State of California, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents Delia J. McMahan, Jesslyn Pesante, and Janice Pesante are individuals and co-partners trading and doing business as the said McMahans Furniture Company of Long Beach. They formulate, direct, and control the policies, acts, and practices of the said partnership and their address is the same as that of the said partnership.

Respondent McMahans Furniture Company—Wilmington is a partnership organized, existing, and doing business in the State of California, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents Dale Corporation and R. H. Pesante Corporation are

corporations organized, existing and doing business under and by virtue of the laws of the State of California, and they, and respondent Russel H. Pesante, an individual, are co-partners trading and doing business as McMahan's Furniture Company—Wilmington. The said corporations and individual formulate, direct, and control the policies, acts, and practices of the said partnerships and their office and principal place of business is the same as that of the said partnership.

The said respondent Russel H. Pesante is also an officer of the said Dale Corporation and R. H. Pesante Corporation. He formulates, directs, and controls the policies, acts, and practices of the said corporations and his address is the same as that of the said corporations.

PAR. 2. Respondents are now, and for many years have been, engaged in the offering for sale, sale, and distribution of furniture and other merchandise to the public through retail stores.

PAR. 3. In the ordinary course and conduct of their business, respondents regularly extend, and for some time have 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.

PAR. 4. Subsequent to July 1, 1969, respondents, with the exception of McMahan's Furniture of Reno, Inc., a corporation, and James A. McMahan, as an officer of McMahan's Furniture of Reno, Inc., in the ordinary course and conduct of their business and in connection with their credit sales, as "credit sale" is defined in Regulation Z, have caused and are causing their customers to execute open end credit account contracts. Said contracts constitute the only disclosure of consumer credit terms made to the customer before the first transaction is made on his open end credit account. Said contracts:

1. Fail to make the required disclosures clearly, conspicuously, and in meaningful sequence, as prescribed by Section 226.6(a) of Regulation Z.

2. Fail to disclose the conditions under which a finance charge may be imposed, including an explanation of the time period, if any, within which any credit extended may be paid without incurring a finance charge, as prescribed by Section 226.7(a)(1) of Regulation Z.

3. Fail to disclose the method of determining the balance upon which a finance charge may be imposed, as prescribed by Section 226.7(a)(2) of Regulation Z.

4. Fail to disclose the minimum periodic payment required, as prescribed by Section 226.7(a)(8) of Regulation Z.

PAR. 5. Subsequent to July 1, 1969, respondents, with the exception of McMahan's Furniture of Reno, Inc., a corporation, and James A.

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McMahan, as an officer of McMahan's Furniture of Reno, Inc., in the ordinary course and conduct of their business and in connection with their credit sales, as "credit sale" is defined in Regulation Z, have mailed or delivered periodic billing statements to their open end credit account customers. Said periodic billing statements constitute the only disclosure to the consumer of activity in his open end credit account during the period. Said periodic billing statements:

1. Fail to make the required disclosures clearly, conspicuously, and in meaningful sequence, as prescribed by Section 226.6(a) of Regulation Z.

2. Fail to set forth payments and credits, using those terms, as prescribed by Section 226.7(b) (3) of Regulation Z.

3. Fail to set forth the balance on which the finance charge was computed, and a statement of how that balance was determined, as prescribed by Section 226.7(b) (8) of Regulation Z.

4. Fail to set forth the closing date of the billing cycle or a statement of the date by which, or the period, if any, within which, payment must be made to avoid additional finance charges, as prescribed by Section 226.7(b) (9) of Regulation Z.

5. Fail to disclose on the face of the periodic statement the annual percentage rates and the amount of the balance to which each rate is applicable, as prescribed by Section 226.7(c) (1) of Regulation Z.

6. Fail to make a reference to the balance on which the finance charge was computed, in conjunction with the disclosures of the periodic rates and the annual percentage rates, either together on the face or reverse side of the periodic statement, or on the face of a single supplemental statement accompanying the periodic statement, as prescribed by Section 226.7(c) (2) of Regulation Z.

7. Disclose the periodic rates, the annual percentage rates, the statement of how the balance on which the finance charge was computed was determined, and the statement of the period within which payment must be made to avoid additional finance charges, on the reverse side of the periodic statement without incorporating verbatim on the face thereof the following notice: "NOTICE: See reverse side for important information," as prescribed by Section 226.7(c) (3) of Regulation Z.

8. Separate the disclosures so as to confuse or mislead the customer or obscure or detract attention from the information required to be disclosed, in violation of Section 226.7(c) (4) of Regulation Z.

PAR. 6. Subsequent to July 1, 1969, respondents McMahan's Furniture of Reno, Inc., a corporation, and James A. McMahan, individually and as an officer of McMahan's Furniture of Reno, Inc., in the ordinary

course and conduct of their business and in connection with their credit sales, as "credit sale" is defined in Regulation Z, have caused and are causing their customers to execute retail installment sales contracts. Said contracts constitute the only disclosure of consumer credit terms made to the customer before a transaction involving the extension of other than open end credit is consummated. Said contracts:

1. Fail to make the required disclosures clearly, conspicuously, and in meaningful sequence, as prescribed by Section 226.6(a) of Regulation Z.

2. Disclose the method of computing the amount of any delinquency charges payable in the event of late payments, the description or identification of the type of security interest to be retained by the creditor in connection with the extension of credit, and the identification of the method of computing any unearned portion of the finance charge in the event of prepayment of the obligation, on the back of the said contracts, while the other required disclosures are made, if at all, on the front side of the said contracts, without making the statement, "NOTICE: See other side for important information," on both sides and following the full content of the document, as prescribed by Section 226.8 of Regulation Z.

3. Fail to disclose the number of payments scheduled to repay the indebtedness, and the sum of such payments using the term "total of payments," as prescribed by Section 226.8(b)(3) of Regulation Z.

4. Fail to use the term "cash price" to describe the cash price of the property purchased, as prescribed by Section 226.8(c)(1) of Regulation Z.

5. Fail to use the term "cash downpayment" to describe the amount of the downpayment in money, as prescribed by Section 226.8(c)(2) of Regulation Z.

6. Fail to use the term "unpaid balance of cash price" to describe the difference between the cash price and the total downpayment, as prescribed by Section 226.8(c)(3) of Regulation Z.

7. Fail to use the term "unpaid balance" to describe the sum of the unpaid balance of cash price and all other charges which are included in the amount financed but which are not a part of the finance charge, as prescribed by Section 226.8(c)(5) of Regulation Z.

8. Fail to use the term "amount financed" to describe the difference between the unpaid balance and any amounts required to be deducted under Paragraph (e) of Section 226.8 of Regulation Z, as prescribed by Section 226.8(c)(7) of Regulation Z.

9. Fail to use the term "deferred payment price" to describe the sum of the cash price, all other charges which are included in the amount

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financed but which are not part of the finance charge, and the finance charge, as prescribed by Section 226.8(c)(8)(ii) of Regulation Z.

PAR. 7. Subsequent to July 1, 1969, respondents McMahan's Furniture of Reno, Inc., a corporation, and James A. McMahan, individually and as an officer of McMahan's Furniture of Reno, Inc., in the ordinary course and conduct of their business and in connection with their credit sales, as "credit sale" is defined in Regulation Z, have mailed or delivered periodic billing statements to their other than open end credit account customers. These statements fail to set forth therein the annual percentage rate or rates applicable to transactions tabulated therein, as prescribed by Section 226.8(n)(1) of Regulation Z.

PAR. 8. Subsequent to July 1, 1969, respondents McMahan's of Inglewood, a corporation, and McMahan's of Bellflower, a corporation, and McMahan's of Huntington Park, a corporation, and McMahan's of Redondo Beach, a corporation trading and doing business as McMahan's of Lawndale, and McMahan Furniture Company—Culver City, a partnership, and McMahan Furniture Company—Crenshaw, a partnership, and Jacqueline McMahan, individually, and as a co-partner trading and doing business as McMahan Furniture Company—Culver City, and as McMahan Furniture Company—Crenshaw, and James A. McMahan, individually, and as an officer of McMahan's of Inglewood, McMahan's of Bellflower, McMahan's of Huntington Park, and McMahan's of Redondo Beach, and as a co-partner trading and doing business as McMahan Furniture Company—Culver City, and as McMahan's Furniture Company—Crenshaw, and trading and doing business as McMahan's of Valley Plaza, and McMahan's of Pasadena, a corporation, and McMahan's of North Hollywood, a corporation, and McMahan's of Van Nuys, a corporation, and McMahan's of Glendale, a corporation, and McMahan's of San Fernando, a corporation, and McMahan's of Lancaster, a corporation, and McMahan's Furniture Company of Van Nuys, a partnership, and McMahan's Furniture Company—Reseda #22, a partnership, and J. M. Schaaf, individually, and as an officer of McMahan's of Huntington Park, McMahan's of Pasadena, McMahan's of North Hollywood, McMahan's of Van Nuys, McMahan's of Glendale, and McMahan's of Lancaster, and Julian A. Ganz, Jr., individually and as an officer of McMahan's of Glendale, McMahan's of San Fernando, and McMahan's of Lancaster, and as a co-partner trading and doing business as McMahan's Furniture Company of Van Nuys, and Thomas E. Inch, individually, and as a co-partner trading and doing business as McMahan's Furniture Company of Van Nuys, and as McMahan's Furniture Company—Reseda #22, and Rebecca Inch, individually, and as a co-partner trading and doing business as

McMahans Furniture Company—Reseda #22, and McMahan Furniture Company—Baldwin Park, a corporation, and McMahan Furniture Company—Monrovia, a partnership, and McMahan Furniture Company—El Monte, a partnership, and McMahan Furniture Company—Alhambra, a partnership trading and doing business as McMahan Furniture Company—Azusa, and Raymond E. McCasline and Marjorie McCasline, individually, and as officers of McMahan Furniture Company—Baldwin Park, and as co-partners trading and doing business as McMahan Furniture Company—Monrovia, as McMahan Furniture Company—El Monte, and as McMahan Furniture Company—Alhambra, and McMahan Furniture Company—East Long Beach, a corporation, and McMahan Furniture Company—San Pedro, a corporation, and McMahan Furniture Company—Long Beach, a partnership, and Delia J. McMahan, individually, and as an officer of McMahan Furniture Company—East Long Beach, and McMahan Furniture Company—San Pedro, and as a co-partner trading and doing business as McMahan Furniture Company—Long Beach, and Jesslyn Pesante, and Janice Pesante, individually, and as co-partners trading and doing business as McMahan Furniture Company—Long Beach, and McMahan Furniture Company—Wilmington, a partnership, and Dale Corporation, and R. H. Pesante Corporation, corporations, as co-partners trading and doing business as McMahan Furniture Company—Wilmington, and Russel H. Pesante, individually, and as an officer of Dale Corporation, and R. H. Pesante Corporation, and as a co-partner trading and doing business as McMahan Furniture Company—Wilmington, in the ordinary course and conduct of their business as aforesaid, have caused to be published advertisements of their goods, as “advertisement” is defined in Regulation Z, which advertisements aid, promote, or assist, directly or indirectly, the extension of open end credit in connection with the sale of these goods. By and through the use of these advertisements, the said respondents have set forth that a specified periodic payment is required without clearly and conspicuously setting forth all the following items in terminology prescribed under Section 226.7(b) of Regulation Z, as prescribed by Section 226.10(c) thereof:

- (i) An explanation of the time period, if any, within which any credit extended may be paid without incurring a finance charge.
- (ii) The method of determining the balance upon which a finance charge may be imposed.
- (iii) The method of determining the amount of the finance charge, including the determination of any minimum, fixed, check service, transaction, activity, or similar charge, which may be imposed as a finance charge.
- (iv) Where one or more periodic rates may be used to compute the finance charge, each such rate, the range of balances to which it is

applicable, and the corresponding annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

(v) The conditions under which any other charges may be imposed, and the method by which they will be determined.

(vi) The minimum periodic payments required.

PAR. 9. By and through the acts and practices set forth above, respondents failed to comply with the requirements of Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System. Pursuant to Section 103(q) of the Act, such failure to comply constitutes a violation of the Truth in Lending Act; and, pursuant to Section 108 thereof, respondents have 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 Los Angeles 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, the Truth in Lending Act and the implementing regulation promulgated thereunder; 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 implementing regulation, 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 McMahan's Furniture Enterprises is a partnership organized, existing and doing business in the State of California, trad-

ing and doing business as McMahans—Norwalk, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents McMahans of Bakersfield, McMahans of Delano, McMahan of Inglewood, and McMahan of Bellflower are corporations organized, existing and doing business under and by virtue of the laws of the State of California, and they, and respondent Raymond McLaughlin, an individual, are also co-partners trading and doing business as the said McMahans Furniture Enterprises. The said corporations and individual formulate, direct, and control the policies, acts, and practices of the said partnership and their office and principal place of business is the same as that of the said partnership.

Respondents Ivers Furniture Co., McMahans of Corcoran, McMahan Furniture of Reno, Inc., and McMahan of Huntington Park are corporations organized, existing and doing business under and by virtue of the laws of the State of California, with their office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondent McMahan of Redondo Beach is a corporation organized, existing and doing business under and by virtue of the laws of the State of California, trading and doing business as McMahan of Lawndale, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents McMahan Furniture Company—East Bakersfield—Taft, McMahan Furniture Company—Culver City, McMahan Furniture Company—Crenshaw, and McMahan—Del Amo are partnerships organized, existing and doing business in the State of California, with their office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents Jacqueline McMahan and James A. McMahan are individuals and co-partners trading and doing business as the said McMahan Furniture Company—East Bakersfield—Taft, as the said McMahan Furniture Company—Culver City, as the said McMahan Furniture Company—Crenshaw, and as the said McMahan—Del Amo. They formulate, direct, and control the policies, acts, and practices of the said partnerships and their address is the same as that of the said partnerships.

The said respondent James A. McMahan is also an officer of the said McMahan of Bakersfield, McMahan of Delano, McMahan of Inglewood, McMahan of Bellflower, Ivers Furniture Co., McMahan of Corcoran, McMahan Furniture of Reno, Inc., McMahan of Huntington Park, and McMahan of Redondo Beach, and is an in-

dividual trading and doing business as McMahans of Wasco and McMahans of Valley Plaza, with his office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California. He formulates, directs, and controls the policies, acts, and practices of the said corporations and the said proprietorships.

Respondents McMahans of Pasadena, McMahans of North Hollywood, McMahans of Van Nuys, McMahans of Glendale, McMahans of Eureka, McMahans of San Fernando, and McMahans of Sacramento are corporations organized, existing and doing business under and by virtue of the laws of the State of California, with their office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondent McMahans Furniture Company—Redding is a partnership organized, existing, and doing business in the State of California, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondent McMahans of Burbank is a corporation organized, existing, and doing business under and by virtue of the laws of the State of California, and it, and respondents J. M. Schaaf and Julian A. Ganz, Jr., individuals, are co-partners trading and doing business as the said McMahan Furniture Company—Redding. The said corporation and individuals formulate, direct, and control the policies, acts, and practices of the said partnership and their office and principal place of business is the same as that of the said partnership.

Respondent McMahans Furniture Company—Klamath Falls is a partnership organized, existing, and doing business in the State of California, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents McMahans of Lancaster and McMahans of Marysville are corporations organized, existing, and doing business under and by virtue of the laws of the State of California, and they, and the said respondent Julian A. Ganz, Jr., are also co-partners trading and doing business as the said McMahans Furniture Company—Klamath Falls. The said corporations and individual formulate, direct, and control the policies, acts, and practices of the said partnership and their office and principal place of business is the same as that of the said partnership.

Respondent McMahans Furniture Company of Van Nuys is a partnership organized, existing, and doing business in the State of California, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents Julian A. Ganz, Jr., and Thomas E. Inch are individuals and co-partners trading and doing business as the said

McMahans Furniture Company of Van Nuys. They formulate, direct, and control the policies, acts, and practices of the said partnership and their address is the same as that of the said partnership.

Respondent McMahan Furniture Company—Chico #34 is a partnership organized, existing, and doing business in the State of California, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents J. M. Schaaf and Julian A. Ganz, Jr., are individuals and co-partners trading and doing business as the said McMahan Furniture Company—Chico #34. They formulate, direct, and control the policies, acts, and practices of the said partnership and their address is the same as that of the said partnership.

Respondent McMahans Furniture Company—Reseda #22 is a partnership organized, existing, and doing business in the State of California, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents Thomas E. Inch and Rebecca Inch are individuals and co-partners trading and doing business as the said McMahans Furniture Company—Reseda #22. They formulate, direct, and control the policies, acts, and practices of the said corporations and their address is the same as that of the said corporations.

The said respondent J. M. Schaaf is also an officer of the said McMahans of Huntington Park, McMahans of Pasadena, McMahans of North Hollywood, McMahans of Van Nuys, McMahans of Glendale, McMahans of Eureka, McMahans of Burbank, and McMahans of Lancaster. He formulates, directs, and controls the policies, acts, and practices of the said corporations and his address is the same as that of the said corporations.

The said respondent Julian A. Ganz, Jr., is also an officer of the said McMahans of Glendale, McMahans of Eureka, McMahans of San Fernando, McMahans of Sacramento, McMahans of Lancaster, and McMahans of Marysville. He formulates, directs, and controls the policies, acts, and practices of the said corporations and his address is the same as that of the said corporations.

Respondent McMahans of Baldwin Park is a corporation organized, existing, and doing business in the State of California, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents McMahan Furniture Company—Monrovia and McMahan Furniture Company—El Monte are partnerships organized, existing and doing business in the State of California, with their office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondent McMahan Furniture Company—Alhambra is a partnership organized, existing and doing business in the State of California, trading and doing business as McMahan Furniture Company—Azusa, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents Raymond E. McCasline and Marjorie McCasline are individuals, officers of the said McMahans of Baldwin Park, and co-partners trading and doing business as the said McMahan Furniture Company—Monrovia, as the said McMahan Furniture Company—El Monte, and as the said McMahan Furniture Company—Alhambra. They formulate, direct, and control the policies, acts and practices of the said corporation and of the said partnerships and their address is the same as that of the said corporation and partnerships.

Respondents McMahans of East Long Beach and McMahans of San Pedro are corporations organized, existing and doing business under and by virtue of the laws of the State of California, with their office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondent Delia J. McMahan is an officer of the said McMahans of East Long Beach and McMahans of San Pedro. She formulates, directs, and controls the policies, acts, and practices of the said corporations and her address is the same as that of the said corporations.

Respondent McMahans Furniture Company of Long Beach is a partnership organized, existing, and doing business in the State of California, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents Delia J. McMahan, Jesslyn Pesante, and Janice Pesante are individuals and co-partners trading and doing business as the said McMahans Furniture Company of Long Beach. They formulate, direct, and control the policies, acts, and practices of the said partnership and their address is the same as that of the said partnership.

Respondent McMahans Furniture Company—Wilmington is a partnership organized, existing, and doing business in the State of California, with its office and principal place of business located at 2121 Wilshire Boulevard, Santa Monica, California.

Respondents Dale Corporation and R. H. Pesante Corporation are corporations organized, existing, and doing business under and by virtue of the laws of the State of California, and they, and respondent Russel H. Pesante, an individual, are co-partners trading and doing business as McMahans Furniture Company—Wilmington. The said corporations and individual formulate, direct, and control the poli-

cies, acts, and practices of the said partnership and their office and principal place of business is the same as that of the said partnership.

The said respondent Russel H. Pesante is also an officer of the said Dale Corporation and R. H. Pesante Corporation. He formulates, directs, and controls the policies, acts, and practices of the said corporations and his address is the same as that of the said corporations.

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 McMahan's Furniture Enterprises, a partnership trading and doing business as McMahan's—Norwalk, and McMahan's of Bakersfield, McMahan's of Delano, McMahan's of Inglewood, and McMahan's of Bellflower, corporations, trading and doing business under their own names and as co-partners trading and doing business as McMahan's Furniture Enterprises, and their officers, and Raymond McLaughlin, individually, and as a co-partner trading and doing business as McMahan's Furniture Enterprises, and Ivers Furniture Co., a corporation, and its officers, and McMahan's of Corcoran, a corporation, and its officers, and McMahan's Furniture of Reno, Inc., a corporation, and its officers, and McMahan's of Huntington Park, a corporation, and its officers, and McMahan's of Redondo Beach, a corporation trading and doing business as McMahan's of Lawndale, and its officers, and McMahan Furniture Company—East Bakersfield—Taft, a partnership, and McMahan Furniture Company—Culver City, a partnership, and McMahan Furniture Company—Crenshaw, a partnership, and McMahan's—Del Amo, a partnership, and Jacqueline McMahan, individually, and as a co-partner trading and doing business as McMahan Furniture Company—East Bakersfield—Taft, McMahan Furniture Company—Culver City, McMahan Furniture Company—Crenshaw, and McMahan's—Del Amo, and James A. McMahan, individually, and as an officer of McMahan's of Bakersfield, McMahan's of Delano, McMahan's of Inglewood, McMahan's of Bellflower, Ivers Furniture Co., McMahan's of Corcoran, McMahan's Furniture of Reno, Inc., McMahan's of Huntington Park, and McMahan's of Redondo Beach, and as a co-partner trading and doing business as McMahan Furniture Company—East Bakersfield—Taft, as McMahan Furniture Company—Culver City, as McMahan Furniture Company—Crenshaw, and as McMahan's—Del Amo, and trading and doing business as McMahan's of Wasco, and as McMahan's of Valley Plaza, and Mc-

Mahans of Pasadena, a corporation, and its officers, and McMahan of North Hollywood, a corporation, and its officers, and McMahan of Van Nuys, a corporation, and its officers, and McMahan of Glendale, a corporation, and its officers, and McMahan of Eureka, a corporation, and its officers, and McMahan of San Fernando, a corporation, and its officers, and McMahan of Sacramento, a corporation, and its officers, and McMahan Furniture Company—Redding, a partnership, and McMahan of Burbank, a corporation, as a co-partner trading and doing business as McMahan Furniture Company—Redding, and its officers, and McMahan Furniture Company—Klamath Falls, a partnership, and McMahan of Lancaster, and McMahan of Marysville, corporations, trading and doing business under their own names and as co-partners trading and doing business as McMahan Furniture Company—Klamath Falls, and their officers, and McMahan Furniture Company of Van Nuys, a partnership, and McMahan Furniture Company—Chico #34, a partnership, and McMahan Furniture Company—Reseda #22, a partnership, and J. M. Schaaf, individually, and as an officer of McMahan of Huntington Park, McMahan of Pasadena, McMahan of North Hollywood, McMahan of Van Nuys, McMahan of Glendale, McMahan of Eureka, McMahan of Burbank, and McMahan of Lancaster, and as a co-partner trading and doing business as McMahan Furniture Company—Redding, and as McMahan Furniture Company—Chico #34, and Julian A. Ganz, Jr., individually, and as an officer of McMahan of Glendale, McMahan of Eureka, McMahan of San Fernando, McMahan of Sacramento, McMahan of Lancaster, and McMahan of Marysville, and as a co-partner trading and doing business as McMahan Furniture Company—Redding, as McMahan Furniture Company—Klamath Falls, as McMahan Furniture Company of Van Nuys, and as McMahan Furniture Company—Chico #34, and Thomas E. Inch, individually, and as a co-partner trading and doing business as McMahan Furniture Company of Van Nuys and as McMahan Furniture Company—Reseda #22, and Rebecca Inch, individually and as a co-partner trading and doing business as McMahan Furniture Company—Reseda #22, and McMahan of Baldwin Park, a corporation, and its officers, and McMahan Furniture Company—Monrovia, a partnership, and McMahan Furniture Company—Alhambra, a partnership trading and doing business as McMahan Furniture Company—Azusa, and Raymond E. McCasline, and Marjorie McCasline, individually, and as officers of McMahan of Baldwin Park, and as co-partners trading and doing business as McMahan Furniture Company—Monrovia, as McMahan Furniture Company—El Monte, and as McMahan Furni-

ture Company—Alhambra, and McMahans of East Long Beach, a corporation, and its officers, and McMahans of San Pedro, a corporation, and its officers, and McMahans Furniture Company of Long Beach, a partnership, and Delia J. McMahan, individually, and as an officer of McMahans of East Long Beach, and McMahans of San Pedro, and as a co-partner trading and doing business as McMahans Furniture Company of Long Beach, and Jesslyn Pesante, and Janice Pesante, individually, and as co-partners trading and doing business as McMahans Furniture Company of Long Beach, and McMahans Furniture Company—Wilmington, a partnership, and Dale Corporation, and R. H. Pesante Corporation, corporations, as co-partners trading and doing business as McMahans Furniture Company—Wilmington, and their officers, and Russel H. Pesante, individually, and as an officer of Dale Corporation, and R. H. Pesante Corporation, and as a co-partner trading and doing business as McMahans Furniture Company—Wilmington, and respondents' representatives, agents, and employees, their successors and assigns, directly or through any corporation, subsidiary, division or other device, in connection with any extension of consumer credit or 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. Failing to make the required disclosures clearly, conspicuously, and in meaningful sequence, as prescribed by Section 226.6(a) of Regulation Z.

2. Failing to disclose the conditions under which a finance charge may be imposed, including an explanation of the time period, if any, within which any credit extended may be paid without incurring a finance charge, as prescribed by Section 226.7(a)(1) of Regulation Z.

3. Failing to disclose the method of determining the balance upon which a finance charge may be imposed, as prescribed by Section 226.7(a)(2) of Regulation Z.

4. Failing to disclose the minimum periodic payment required, as prescribed by Section 226.7(a)(8) of Regulation Z.

5. Failing to set forth payments and credits, using those terms, as prescribed by Section 226.7(b)(3) of Regulation Z.

6. Failing to set forth the balance on which the finance charge was computed, and a statement of how that balance was determined, as prescribed by Section 226.7(b)(8) of Regulation Z.

7. Failing to set forth the closing date of the billing cycle or a statement of the date by which, or the period, if any, within

which, payment must be made to avoid additional finance charges, as prescribed by Section 226.7(b)(9) of Regulation Z.

8. Failing to disclose on the face of the periodic statement the annual percentage rates and the amount of the balance to which each rate is applicable, as prescribed by Section 226.7(c)(1) of Regulation Z.

9. Failing to make a reference to the balance on which the finance charge was computed, in conjunction with the disclosures of the periodic rates and the annual percentage rates, either together on the face or reverse side of the periodic statement, or on the face of a single supplemental statement accompanying the periodic statement, as prescribed by Section 226.7(c)(2) of Regulation Z.

10. Disclosing the periodic rates, the annual percentage rates, the statement of how the balance on which the finance charge was computed was determined, or the statement of the period within which payment must be made to avoid additional finance charges, on the reverse side of the periodic statement without incorporating *verbatim* on the face thereof the following notice: "NOTICE: See reverse side for important information," as prescribed by Section 226.7(c)(3) of Regulation Z.

11. Separating the disclosures so as to confuse or mislead the customer or obscure or detract attention from the information required to be disclosed, in violation of Section 226.7(c)(4) of Regulation Z.

12. Disclosing the method of computing the amount of any delinquency charges payable in the event of late payments, the description or identification of the type of security interest to be retained by the creditor in connection with the extension of credit, the identification of the method of computing any unearned portion of the finance charge in the event of prepayment of the obligation, or any other required disclosure, on the back of retail installment sales contracts, while making other required disclosures on the front of the said contracts, without making the statement, "NOTICE: See other side for important information," on both sides providing the place for the customer's signature following the full content of the document, as prescribed by Section 226.8 of Regulation Z.

13. Failing to disclose the number of payments scheduled to repay the indebtedness, and the sum of such payments using the term "total of payments," as prescribed by Section 226.8(b)(3) of Regulation Z.

14. Failing to use the term "cash price" to describe the cash

price of the property purchased, as prescribed by Section 226.8 (c) (1) of Regulation Z.

15. Failing to use the term "cash downpayment" to describe the amount of the downpayment in money, as prescribed by Section 226.8(c) (2) of Regulation Z.

16. Failing to use the term "unpaid balance of cash price" to describe the difference between the cash price and the total downpayment, as prescribed by Section 226.8(c) (3) of Regulation Z.

17. Failing to use the term "unpaid balance" to describe the sum of the unpaid balance of cash price and all other charges which are included in the amount financed but which are not part of the finance charge, as prescribed by Section 226.8(c) (5) of Regulation Z.

18. Failing to use the term "amount financed" to describe the difference between the unpaid balance and any amounts required to be deducted under Paragraph (e) of Section 226.8 of Regulation Z, as prescribed by Section 226.8(c) (7) of Regulation Z.

19. Failing to use the term "deferred payment price" to describe the sum of the cash price, all other charges which are included in the amount financed but which are not part of the finance charge, and the finance charge, as prescribed by Section 226.8 (c) (8) (ii) of Regulation Z.

20. Failing to set forth in periodic billing statements the annual percentage rate or rates, as prescribed by Section 226.8(n) (1) of Regulation Z.

21. Representing, directly or by implication, in any advertisement, as "advertisement" is defined in Regulation Z, any of the terms described in Section 226.7(a) of Regulation Z, the comparative index of credit cost, or that no downpayment, a specified downpayment, or a specified periodic payment is required or any of the following items unless it also clearly and conspicuously sets forth all the following items in terminology prescribed under Section 226.7(b) of Regulation Z:

(i) An explanation of the time period, if any, within which any credit extended may be paid without incurring a finance charge.

(ii) The method of determining the balance upon which a finance charge may be imposed.

(iii) The method of determining the amount of the finance charge, including the determination of any minimum, fixed, check service, transaction, activity, or similar charge, which may be imposed as a finance charge.

(iv) Where one or more periodic rates may be used to

compute the finance charge, each such rate, the range of balances to which it is applicable, and the corresponding annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

(v) The conditions under which any other charges may be imposed, and the method by which they will be determined.

(vi) The minimum periodic payments required.

22. 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, in the manner, form and amount required by Sections 226.6, 226.8, 226.9, and 226.10 of Regulation Z.

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

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, corporation, or otherwise, the creation of subsidiaries, or any other change which may affect compliance obligations arising out of this order.

It is further ordered, That 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

ECLIPSE SLEEP PRODUCTS, INC., ET AL.