

Complaint

IN THE MATTER OF

GREAT WESTERN UNITED 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-2306. Complaint, Oct. 20, 1972—Decision, Oct. 20, 1972.*

Consent order requiring a developer of real estate projects based in Denver, Colorado, and its subsidiaries, among other things to cease misrepresenting the purposes of and the benefits to be derived from its real estate training course; misrepresenting the conditions of and proposed additions to certain real estate projects presently under development; failing to maintain adequate records upon which certain representations are based; and inaccurately disclosing information required by 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 Great Western United Corporation, a corporation, and its subsidiaries, Great Western Cities, Inc., California City Realty Company, California City Development Company, Great Western Cities Realty, Colorado City Realty Company, Colorado City Development Company and GWU Properties, Inc., corporations, 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 thereof would be in the public interest, hereby issues its complaint, stating its charges in that respect as follows:

COUNT I

Charging a violation of Section 5 of the aforesaid Federal Trade Commission Act, the Commission alleges:

PARAGRAPH 1. Respondent Great Western United Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware with its principal office and place of business located at the Equitable Building, Denver, Colorado. Respondent Great Western United Corporation from its aforementioned principal place of business is responsible for all the acts and practices of the aforementioned subsidiary corporations hereinbefore referred to as respondents in this complaint.

Respondents Great Western Cities, Inc., California City Realty Company, California City Development Company, Colorado City

Complaint

81 F.T.C.

Development Company and GWU Properties, Inc., are wholly-owned corporate subsidiaries of Great Western United Corporation. Respondents Great Western Cities Realty Company and Colorado City Realty Company are subsidiaries of California City Realty Company. Each is organized, existing and doing business under and by virtue of the laws of the State of California, except for Colorado City Realty Company and Colorado City Development Company which are corporations organized, existing and doing business under and by virtue of the laws of the State of Colorado. The principal offices and places of business of the said corporations are as follows:

(1) Great Western Cities, Inc., California City Development Company, Colorado City Development Company, GWU Properties, Inc., Equitable Building, Denver, Colorado.

(2) California City Realty Company, Great Western Cities Realty, 6363 Sunset Boulevard, Hollywood, California.

(3) Colorado City Realty Company, 4490 Bent Brothers Boulevard, Colorado City, Colorado.

PAR. 2. Respondents are now and for some time in the past have been engaged in the advertising, offering for sale and sale of interests in real estate located in California, Colorado and New Mexico to the public.

PAR. 3. In the course and conduct of their business, respondents now cause, and for some time past have caused, their contracts, promotional material, and various business papers to be shipped from their places of business in California and Colorado to agents, employees, prospective purchasers, and purchasers of interests in their real estate thereof, located in various States of the United States other than California and Colorado, and in the course of business have made sales of interests in real estate in States other than California and Colorado, and in the course of business have maintained real estate training schools in States other than California and Colorado, and have carried on a substantial amount of advertising in States other than California and Colorado, to solicit sales of interests in the company's real estate, and maintain and at all times mentioned herein have maintained, a substantial course of trade in said sales of interests in real estate in commerce, as "commerce" is defined in the Federal Trade Commission Act.

A

PAR. 4. In the course and conduct of their business, and for the purposes of inducing the sale of interests in real estate offered by them, respondents publish, or cause to be published in newspapers of

general circulation and disseminate through direct mail campaigns, advertisements containing many statements and representations, directly or by implication, regarding the earning potential available to persons participating in respondents' real estate training programs. Typical and illustrative of these statements and representations, but not all inclusive thereof, are the following:

Would you like to earn \$350 to \$500 extra money a month? Increase your income with a part-time job. We have many who are earning \$10,000 and more—Our business is booming—Unaffected by tight money. We pay your real estate license training tuition * (* We pay for your real estate training license, you pay for the lesson material). Free educational program plus dynamic sales training. Your decision to enter this exciting profession never came at a better time. Now in our real estate course you not only learn, but you keep your present job as long as you want. Our exceptional method of helping you enter California's fastest growing field includes not only free instruction for approved applicants in the Principals of Real Estate Law but also training in salesmanship from real estate professionals of demonstrated ability. Learn HOW to contact and develop prospective buyers. HOW to show property and HOW to ask for an order and get it! MEN and WOMEN from the arts, factories, the schools and offices, broaden your horizons and learn what it means to grow with California. When you are licensed, you'll sell our prospects in your area. We will "close" your sales, you receive full commission (no splits)—No waiting for escrow to close; never hunt for listings—Prospects in every area. We have continuous advertising and promotion campaigns!—More prospects than our present staff can handle! Expenses advanced—Free Transportation—Immediate income. Let us explain. Attend one of these free explanation meetings.

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, and for the purpose of selling interests in their real estate to persons answering said advertisements and of obtaining leads to sell interests in their real estate from persons answering said advertisements, respondents and their agents and representatives represent and have represented directly or by implication to persons answering said advertisements, that:

1. The average person could enter this course and with a reasonable amount of effort could earn \$350 to \$500 a month working on a part-time basis.
2. Sales of interests in respondents' real estate are not affected by adverse economic conditions.
3. Persons entering this course will receive full commissions while company salesmen close their sales.
4. Expenses will be advanced to persons entering this course and such expenses will cover the actual expenses incurred in making sales presentations.
5. This training course is primarily designed to produce licensed

Complaint

81 F.T.C.

salesmen who are willing to sell interests in respondents' real estate either part-time or full-time.

6. Participants in this training course will not have to provide prospects for the company.

PAR. 6. In truth and in fact,

1. Only a small percentage of the persons entering this course ever achieve earnings of \$350 to \$500 for their part-time efforts.

2. All sales of interests in real estate are affected by adverse economic conditions.

3. Full commissions are given to a participant where company salesmen close his sales only after the participant obtains his license and then only on the first four sales. After that, if help is needed to close a sale, a smaller commission is paid than would have been paid, had the participant closed the sale himself.

4. Monies reimbursed for expenses seldom meet the expenses actually incurred in making sales presentations.

5. The company was primarily interested in making sales of California City land to participants in this course and only secondarily interested in producing a large number of part-time or full-time salesmen.

6. Participants in this training course have been required in the past to provide prospects for the respondents immediately after enrollment and are now required to provide prospects after becoming licensed.

Said statements and representations were therefore false, misleading and deceptive.

B

PAR. 7. In the further course and conduct of their business, and for the purpose of inducing the sale of interests in real estate offered by them, respondents published or caused to be published in newspapers of general circulation and in brochures distributed through the mails and on radio and television, advertisements containing many statements and representations, directly or by implication, regarding the investment opportunities available in the respondents' real estate projects.

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

Great Western United Corporation * * * The Great Western Restaurant Co. (with picture and legend) Prime Time Restaurants are distinctive and expanding.

The Great Western Sugar Co. * * * (with picture and legend) The Great Western Sugar Company, America's largest producers of beet sugar.

Shakey's Pizza * * * (with picture and legend) We serve fun at Shakey's (also Pizza).

A view of cultivated Emerald Christmas Trees (with picture).

Great Western Foods Company markets consumer convenience foods throughout the Southeastern United States.

Great Western Cities, Inc. Builds new cities in Western United States. Four cities now under development and planning are: California City, California—Colorado City, Colorado—Lake Pueblo de Conchiti, New Mexico—3-R Ranch, Colorado. Other cities are planned for the near future.

One of the Great Western Cities.

By and through the use of the above quoted statements and representations, and others of similar import and meaning, but not expressly set forth herein, respondent Great Western United Corporation has participated in and permitted the use of its name and the prestige and financial diversified magnitude of its over-all operations for the purpose of selling interests in its subsidiaries' real estate to persons answering said advertisements or of obtaining leads to sell said interests in real estate from persons answering said advertisements.

PAR. 8. In the further course and conduct of their business, and for the purpose of inducing the sale of interests in real estate offered by them, respondents published or caused to be published in newspapers of general circulation and in brochures distributed through the mails and on radio and television, advertisements containing many statements and representations, directly or by implication, regarding the investment opportunities in respondents' real estate projects.

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

California City was incorporated December 10, 1965, and became the third largest city in area in California, the tenth largest in the United States.

Invest in one of America's fastest growing areas * * * the Antelope Valley—California City area in Southern California. California City is the tenth largest (in area) incorporated city in the United States.

America's largest intercontinental airport in Antelope Valley by 1980 * * * 100,000,000 passengers per year.

We believe that land in such selected growth areas (California City) is a good and safe investment and offers great profit potential for investors.

Don't miss the exploding Antelope Valley! * * * and the opportunities in Antelope Valley land!!!

California City is located in the exploding Antelope Valley portion of Southern California where population and industry are experiencing rapid growth.

California City's abundant healthful water from underground source (no treatment necessary) supplied by California City Community Services District.

California City is a growing, thriving community, too. Its population has doubled in four years.

Experts predict population (Antelope Valley) will increase 400% within five years.

Buy a quarter acre of land. Get a city (California City) free.

Roads and streets, utilities and water, city conveniences, parks and unsurpassed recreational facilities (in California City).

Complaint

81 F.T.C.

The Great Cochiti Indian Nation cordially invites you to be among the first to know—in detail—about the finest recreational homesites (Cochiti Lake) offered in many years near Albuquerque and Sante Fe!

The wonders of nature's recreational offerings have been augmented by MERBISC, The Most Extraordinary Recreation Bargain in Southern Colorado—An ever-expanding list of outdoor recreational facilities ranging from baseball to boating. They're all available to you and your family with your vacation home at Colorado City—One of the Great Western Cities.

PAR. 9. By and through the use of above-quoted statements and representations, and others of similar import and meaning, but not expressly set out herein, and with the purpose of selling interests in their real estate, respondents and their agents and representatives represent and have represented, directly or by implication that:

1. Persons buying land in California City at the respondents' prices will, after holding the property for a reasonable amount of time, realize a profit upon reselling.

2. There are no substantial barriers to California City property resale prices increasing at a faster rate than other areas of California.

3. Many prior purchasers of California City property from respondents have received profits upon the resale of their property after holding for a reasonable amount of time.

4. California City is a very large, thriving and densely populated city in the Antelope Valley and both are growing at a faster rate than other areas of California.

5. There are no expenses involved in buying and owning property within California City.

6. California City presently has completed roads, sewers, utilities and water to service all lots in the city.

7. Cochiti Lake is a real estate project in which one may purchase fee simple interests.

8. Use of California City's and Colorado City's recreational facilities are free to land owners.

PAR. 10. In truth and in fact,

1. California City's record to date as a project does not indicate that profits will be made by all persons buying land at respondents' price after owning it for a reasonable amount of time.

2. There are undisclosed possible barriers to growth in California City property's resale prices.

- a. California City is located in a desert (Mojave) and the cost of obtaining an adequate water supply may retard its growth.

- b. California City may not be successful in competing for residents with older established municipalities which are closer to the Los Angeles area and the site of the proposed intercontinental airport at Palmdale, California.

c. In the event plans to build the proposed intercontinental airport are discontinued, the growth potential of California City will be diminished.

3. Many persons purchasing California City land from respondents have not made a profit upon reselling their property.

4. The land project now called California City was begun by its founder, N. K. Mendelsohn, in 1958. During the first 12 years of its existence, the population has grown to only 1,224 persons and to date more than one-half of the land in California City has been sold. Kern County, the county in which California City is located, increased its population by 11.3 percent during the period from 1960 through 1970. The average rate of population growth for all counties in California during the same period was 25.4 percent.

5. The land in California City in most instances is encumbered with a city deferred improvement note which carries an interest charge and is to be paid off in monthly payments. A charge of \$200 is made for the right to use city recreational facilities in addition to city taxes.

6. Only a small portion of the total acreage in California City is serviced by completed roads, sewers, utilities and water.

7. Cochiti Lake is a real estate project in which the respondents own a 99 year lease and sales of interests in the project are subleases from respondents, not fee simple interests.

8. Land owners in California City and Colorado City must pay \$200 a year to use the city's recreational facilities.

Said statements and representations were, therefore, false, misleading and deceptive.

PAR. 11. In the further course and conduct of their business, and for the purpose of inducing the sale of interests in real estate offered by them, respondents or their agents and representatives have made statements and representations, directly or by implication, regarding the investment opportunities available in the respondents' real estate projects.

Typical and illustrative of these statements and representations, but not all inclusive thereof, is the following:

The University of California is placing a branch in California City.

PAR. 12. 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, and for the purpose of selling interests in their real estate, respondents and their agents and representatives represent and have represented, directly or by implication that:

Complaint

S1 F.T.C.

1. Respondents' real estate is about to boom in value because various institutions and businesses have made definite commitments to place facilities in respondents' land developments.

PAR. 13. In truth and in fact, such statements are false, and persons acting upon such statements have been and are being misled.

PAR. 14. In the course and conduct of their aforesaid business, and at all times mentioned herein respondents have been, and now are, in substantial competition, in commerce, with corporations, firms and individuals in the sale of interests in real estate.

PAR. 15. The use by respondents of the aforesaid unfair practices and false, misleading deceptive statements and representations 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 participation in real estate training courses and into the purchase of interests in respondents' real estate by reason of said erroneous and mistaken belief.

PAR. 16. 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 Section 5 of the Federal Trade Commission Act.

COUNT II

Charging a violation of the aforesaid Truth in Lending Act and the implementing regulation promulgated thereunder, and of the Federal Trade Commission Act, the Commission alleges:

PAR. 17. Paragraphs One through Three, inclusive of Count I of this Complaint, are hereby set forth by reference and made a part of this Count as fully and with the same effect as if quoted here verbatim.

PAR. 18. In the ordinary course and conduct of its business as aforesaid, respondents regularly arrange, and for some time past have arranged, for the extension of 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. 19. Between January 4, 1971, and January 27, 1971, in the ordinary course of their business as aforesaid and in connection with credit sales of their California City properties as set forth in Count I, A and B *supra*, respondents offered to customers, and granted to some customers, discounts from the price at which respondents

offered to sell said properties for cash. These discounts were conditioned upon the customers' purchasing the properties for cash or paying larger downpayments than required for purchasing the properties on credit. Such discounts were finance charges imposed upon customers who did not avail themselves of the available discounts, as provided in Sections 226.4(a)(5) and 226.8(o) (as amended) of Regulation Z.

By and through use of this system of discounts, respondents:

1. Failed to disclose accurately the "cash price," as required by Section 226.8(c)(1) of Regulation Z, excluding from the cash price the amount of the available discount as required by Section 226.8(o)(7) of Regulation Z;
2. Failed to disclose accurately the amount of the "unpaid balance of cash price," as required by Section 226.8(c)(3) of Regulation Z;
3. Failed to disclose accurately the "amount financed," as required by Section 226.8(c)(7) of Regulation Z;
4. Failed to disclose as part of the "finance charge" and to include in the amount of the finance charge the amount of the available discount as required by Sections 226.4(a)(5), 226.8(c)(8) and 226.8(o)(7) of Regulation Z;
5. Failed to disclose the "annual percentage rate" accurately to the nearest quarter of one percent, computed in accordance with Sections 226.5 and 226.8(o)(7) of Regulation Z, as required by Section 226.8(b)(2) of Regulation Z.

PAR. 20. Subsequent to July 1, 1969, in transactions in which the customer was entitled to the right to rescind as provided in Section 226.9 of Regulation Z, respondents provided those customers with notices of the right to rescind in the form prescribed by Section 226.9(b) of Regulation Z. On those notices respondents disclosed that customers could exercise the right to rescind by notifying respondent no later than midnight of the third business day following the date of the transaction. However, pursuant to Section 226.9(a) of Regulation Z, because respondent had not provided all disclosures required by Section 226.8 of Regulation Z, as set forth in Paragraph Seventeen hereof, customers had a continuing right to rescind the transaction until such time as respondent provided such disclosures. Therefore, respondent failed to disclose accurately, on the notice provided under Section 226.9(b), the date by which the customer could effectively give notice of cancellation of the transaction, as required by Section 226.9(b) of Regulation Z.

PAR. 21. Subsequent to July 1, 1969, respondents have caused advertisements to be published, broadcast, or delivered, which advertisements aid, promote or assist directly or indirectly the extension of

Complaint

81 F.T.C.

consumer credit. By and through the use of the statement "LONG TERM FINANCING * * * UP TO TEN YEARS!" and others of similar import and meaning in said advertisements, respondents have stated the period of repayment without also disclosing all of the following items, as required by Section 226.10(d)(2) of Regulation Z.

- (a) The cash price;
- (b) The amount of the down payment required or that no down payment is required, as applicable;
- (c) The number, amount, and due dates of 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. 22. By and through the acts and practices set forth above, respondents fail 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 the violation of the Federal Trade Commission Act; and 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 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, and having duly considered the comments filed thereafter pursuant to Section 2.34(b) of its rules, 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 Great Western United Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware with its principal office and place of business located at the Equitable Building, Denver, Colorado. Respondent Great Western United Corporation from its aforementioned principal place of business is responsible for all the acts and practices of its subsidiary corporations hereinbefore referred to as respondents in the complaint.

Respondents Great Western Cities, Inc., California City Realty Company, California City Development Company, Colorado City Development Company and GWU Properties, Inc. are wholly-owned corporate subsidiaries of Great Western United Corporation. Respondents Great Western Cities Realty Company and Colorado City Realty Company are subsidiaries of California City Realty Company. Each is organized, existing and doing business under and by virtue of the laws of the State of California, except for Colorado City Realty Company and Colorado City Development Company which are corporations organized, existing and doing business under and by virtue of the laws of the State of Colorado. The principal offices and places of business of the said corporations are as follows:

(a) Great Western Cities, Inc., California City Development Company, Colorado City Development Company, and GWU Properties, Inc., Equitable Building, Denver, Colorado.

(b) California City Realty Company and Great Western Cities Realty, 6363 Sunset Boulevard, Hollywood, California.

(c) Colorado City Realty Company, 4490 Bent Brothers Boulevard, Colorado City, Colorado.

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

A

It is ordered, That respondents Great Western United Corporation, Great Western Cities, Inc., California City Realty Company, California City Development Company, Great Western Cities Realty

Colorado City Realty Company, Colorado City Development Company, and GWU Properties, Inc., corporations, their successors and assigns, and respondents' officers, agents, representatives, and employees directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, offering free, offering for sale, or sale of real estate training courses, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Directly or by implication:

(a) Representing that salesmen who participated in respondents' training courses will earn or receive any stated or gross or net amount; or representing in any manner, the past earnings of a salesman who participated in respondents' training courses unless in fact, the past earnings represented are those of current salesmen employed 3 months or more in the community or geographical area in which such representations are made and accurately reflect the average earnings of these salesmen calculated on the basis of annualized earnings of the most recent fiscal year under circumstances similar to those of the salesman or prospective salesman to whom the representation is made.

(b) Representing in any manner that sales of real estate are not affected by adverse economic conditions.

(c) Making any representations that salesmen who participated in respondents' training courses will receive full commissions while other salesmen assist in closing their sales; or misrepresenting in any manner the commissions available to salesmen who participated in respondents' training courses. Any statement as to any term or terms on which commissions are granted must contain a fair statement of all terms.

(d) Making any representations that expenses will be advanced to participants in respondents' training courses where said advancements do not cover the expenses actually incurred; or misrepresenting in any manner the expenses to be advanced to participants in respondents' training courses

2. Failing to maintain adequate records:

(a) which disclose the facts upon which any representations of the type described in Paragraph 1(a) of IA, *supra*, of this order are based, and

(b) from which the validity of any representations of the type described in Paragraph 1(a) of IA, *supra*, of this order can be determined.

3. Failing to clearly and conspicuously disclose the following statement, where appropriate, in all printed advertisements con-

cerning respondents' training courses which are associated with real estate projects:

The company recommends that trainees in this course buy property in [insert common name of project]. Trainees will be asked (or "required" if such requirement exists) to furnish leads. The company will provide you with a copy of a Government HUD Report (or "State of California, Department of Real Estate's Public Report" or "[name of State] Public Report," where appropriate) for a recently approved tract and it is recommended that you read this report before enrolling.

4. Failing to clearly and conspicuously disclose the following statement in all television and radio advertisements concerning respondents' training courses which are associated with real estate projects:

Write (call) for a Government HUD Report (or "[Name of State] Public Report") on (insert common name of project), (address or telephone number).

5. Failing

(a) to provide to trainees one or more Government HUD Reports or State Public Reports for tracts which reasonably typify the kind of real estate they will be asked to sell, in advance of their enrolling in respondents' training courses which are associated with sales in real estate projects;

(b) to obtain a signed statement from said trainees to the effect that they did receive said reports in advance of their enrolling in said training courses.

It is further ordered, That respondents Great Western United Corporation, Great Western Cities, Inc., California City Realty Company, California City Development Company, Great Western Cities Realty, Colorado City Realty Company, Colorado City Development Company, and GWU Properties, Inc., corporations, their successors and assigns and respondents' officers, agents, representatives, and employees directly or through any corporation, subsidiary, division or other device, in connection with the advertising, offering for sale, or sale of interests in real estate, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Failing to clearly and conspicuously disclose the following statement in all printed advertisements concerning California City:

It is recommended that you obtain from the company and read the State of California Department of Real Estate's Public Report for a recently approved tract in California City.

2. Failing to clearly and conspicuously disclose the following statement in all television and radio advertisements concerning California City:

Write (call) for a California Public Report, _____ (address or telephone number).

3. Failing to clearly and conspicuously disclose the following statement in all printed advertisements concerning real estate projects other than California City, however limited to projects in existence at the time this order becomes effective and to any future projects, (1) covered by the Interstate Land Sales Full Disclosure Act, and (2) where the property interest being offered is held in any form by respondents or any of their affiliates:

It is recommended that you obtain from the company and read a recent Government HUD Report (or "[Name of State] Public Report") for a recently approved tract.

4. Failing to clearly and conspicuously disclose the following statement in all television and radio advertisements concerning real estate projects other than California City, however limited to said projects in existence at the time this order becomes effective and to any future projects (1) covered by the Interstate Land Sales Full Disclosure Act, and (2) where the property interest being offered is held in any form by respondents or any of their affiliates:

Write (call) for a Government HUD Report (or "[Name of State] Public Report").

Failure to provide one or more said reports for tracts which reasonably typify the kind of real estate being sold, to persons requesting them in response to the disclosures required in Paragraphs 1, 2, 3, and 4 of IB, *supra*, shall be deemed a violation of the order.

5. Failing

(a) to clearly and conspicuously disclose in all advertisements concerning Cochiti Lake that the interest being sold which said interest terminates or the year in which said subleasehold interest terminates;

(b) to clearly and conspicuously disclose in all advertisements concerning real estate projects, the type of interest where less than a fee simple is to be conveyed and disclose the number of years in which said interest terminates, or the year in which said interest terminates.

6. Representing directly or by implication that:

(a) There are no expenses involved in buying and owning property within California City; or misrepresenting in any manner the expenses involved in owning interests in property in real estate projects.

(b) California City has completed roads, sewers, utilities and water lines to service all lots in the city; or misrepresenting in any manner the nature or extent of roads, sewers, utilities and water lines available or to be made available in real estate projects.

(c) California City has "abundant healthful water from underground source * * *," or misrepresenting in any manner the amount of or lack of water available to property in real estate projects.

(d) California City's or Colorado City's recreational facilities are available to purchasers without charge; or misrepresenting in any manner the expenses or fees involved in owning interests in property in real estate projects.

(e) It is the policy of respondents to repurchase California City land from purchasers or resell it on their behalf unless the applicable conditions and limitations are clearly disclosed; or misrepresenting in any manner the respondents' repurchase or resale policies in real estate projects.

(f) The University of California is placing a branch in California City; or misrepresenting in any manner that actions will be taken by respondents or third parties which will enhance the value of real estate.

II

It is ordered, That respondents Great Western United Corporation, Great Western Cities, Inc., California City Realty Company, California City Development Company, Great Western Cities Realty, Colorado City Realty Company, Colorado City Development Company, and GWU Properties, Inc., corporations, their successors and assigns and respondents' officers, agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with any consumer credit sale of interests in real property in any advertisement to aid, promote, or assist directly or indirectly any extension of credit, as "credit sale" 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:

Decision and Order

81 F.T.C.

1. Failing in any credit sale to accurately disclose the amount of the "cash price" as required by Sections 226.8(c) (1) and 226.8(o) (7) of Regulation Z.

2. Failing in any credit sale to accurately disclose the amount of the "unpaid balance of cash price" as required by Section 226.8(c) (3) of Regulation Z.

3. Failing in any credit sale to accurately disclose the "amount financed" as required by Section 226.8(c) (7) of Regulation Z.

4. Failing in any credit sale to accurately disclose the amount of the "finance charge" as it is required to be computed and disclosed by Section 226.8(o) (7) of Regulation Z.

5. Failing to disclose the "annual percentage rate" accurately to the nearest quarter of one percent, in accordance with Sections 226.5 and 226.8(o) (7) of Regulation Z, as required by Section 226.8(b) (2).

6. Causing to be disseminated to the public in any manner whatsoever any advertisement to aid, promote or assist directly or indirectly any extension of consumer credit, which advertisement states, directly or by implication, 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 credit, unless it states 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:

(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 or period of payments scheduled to repay the indebtedness if the credit is extended;

(4) the amount of the finance charge expressed as an annual percentage rate; and

(5) the deferred payment price.

7. 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, 226.7, 226.8, 226.9 and 226.10 of Regulation Z.

It is further ordered, That respondents shall, within 60 days after service upon them of this order, with regard to each customer in each consumer credit transaction entered into by respondents or any re-

spondent between January 4, 1971 and January 27, 1971, in which transaction a security interest or the future right to a security interest was retained or acquired by any respondent in any real property located in California City, California if that property at the time of the transaction was used or was expected to be used as a principal residence of the customer, and if that customer did not receive a discount as described in Paragraph 19 of the complaint in this proceeding:

1. Deliver to each such customer in a single envelope:
 - a. Notices of the right of rescission in the number, manner and form set forth in Section 226.9(b) of Regulation Z, the date by which the transaction may be cancelled to be stated as the third business day after the customer actually receives the notice.
 - b. A statement containing all disclosures required by Section 226.8 of Regulation Z to have been made in that transaction computed in accordance with Sections 226.4, 226.5 and 226.8(o)(7) of Regulation Z, in the manner and form prescribed by Section 226.6 of Regulation Z.
 - c. A copy of the following statement, in writing:

You entered into a consumer credit transaction for the purchase of real property with (name of respondent creditor) on (date). Enclosed are the disclosures required by the Federal Truth in Lending Act, which accurately describe the credit costs and conditions of your transaction. Also enclosed is a notice of your right to cancel this transaction according to the provisions of the Federal Truth in Lending Act. Please read these documents promptly, since your right to cancel the transaction expires on midnight of the third business day following the day you actually receive this notice.

2. As to each customer who cancels such a transaction in accordance with the provisions of Section 226.9 of Regulation Z, perform all acts required by Section 226.9(d) of Regulation Z to effect the cancellation of the transaction.

It is further ordered, That respondents shall forthwith distribute a copy of this order to each of their operating subsidiaries and 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 30 days prior to any proposed change in any corporate respon-

Complaint

81 F.T.C.

dent 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 corporation which may affect compliance obligations arising out of the 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.