
IN THE MATTER OF
OUTSIDE CARPETS, INC., ET AL.

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

Docket C-2388. Complaint, April 24, 1973-Decision, April 24, 1973.

Consent order requiring a Rome, Georgia manufacturer and seller of carpets and rugs, among other things to cease manufacturing for sale, selling, importing, or distributing any product, fabric, or related material which fails to conform to an applicable standard of flammability or regulation issued under the provisions of the Flammable Fabrics Act, as amended.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Flammable Fabrics Act, as amended, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Outside Carpets, Inc., a corporation, and James E. Jordan and James Honea, individually and as officers of the said corporation, hereinafter referred to as respondents, have violated the provisions of the said Acts and the rules and regulations promulgated under the Flammable Fabrics Act, as amended, 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 Outside Carpets, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Georgia. Respondents James E. Jordan and James Honea are officers of the said corporate respondent. They formulate, direct and control the acts, practices and policies of the said corporation.

Respondents are engaged in the manufacture and sale of carpets and rugs with their office and principal place of business located at Rt. 2, Hermitage Road, Rome, Georgia.

PAR. 2. Respondents are now and for some time last past have been engaged in the manufacturing for sale, sale and offering for sale, in commerce, and have introduced, delivered for introduction, transported and caused to be transported in commerce, and have sold or delivered after sale or shipment in commerce, products, as the terms "commerce" and "product," are defined in the Flammable Fabrics Act, as amended, which products fail to conform to an applicable standard or regulation continued in effect, issued or amended under the provisions of the Flammable Fabrics Act, as amended.

Among such products mentioned hereinabove were "Hillcrest" style carpets with high density foam backing subject to Department of Commerce Standard For the Surface Flammability of Carpets and Rugs (DOC FF 1-70).

PAR. 3. The aforesaid acts and practices of respondents were and are in violation of the Flammable Fabrics Act, as amended, and the rules and regulations promulgated thereunder, and as such constituted, and now constitute unfair methods of competition and unfair and deceptive acts and practices in commerce, within the intent and meaning of 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 Division of Textiles and Furs proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act, and the Flammable Fabrics Act, as amended; 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, 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 Outside Carpets, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware.

Respondents James E. Jordan and James Honea are officers of the said corporation. They formulate, direct and control the acts, practices and policies of the said corporation.

Respondents are engaged in the manufacture and sale of carpets and rugs with the office and principal place of business of respondents located at Rt. 2, Hermitage Road, Rome, Georgia.

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 respondent Outside Carpets, Inc., a cor-

poration, its successors and assigns and its officers, and respondents James E. Jordan and James Honea, individually and as officers of the said corporation and respondents' agents, representatives and employees directly or through any corporation, subsidiary, division, or other device do forthwith cease and desist from manufacturing for sale, selling, offering for sale, in commerce, or importing into the United States, or introducing, delivering for introduction, transporting or causing to be transported in commerce, or selling or delivering after sale or shipment in commerce, any product, fabric, or related material; or manufacturing for sale, selling, or offering for sale, any product made of fabric or related material which has been shipped or received in commerce, as "commerce," "product," "fabric" and "related material" are defined in the Flammable Fabrics Act, as amended, which product, fabric or related material fails to conform to an applicable standard or regulation continued in effect, issued or amended under the provisions of the aforesaid Act.

It is further ordered, That respondents notify all of their customers who have purchased or to whom have been delivered the products which gave rise to this complaint of the flammable nature of said products and effect the recall of said products from such customers.

It is further ordered, That the respondents herein either process the products which gave rise to the complaint so as to bring them into conformance with the applicable standard of flammability under the Flammable Fabrics Act, as amended, or destroy said products.

It is further ordered, That the provisions of this order with respect to customer notification, recall and processing or destruction shall be applicable to "Hillcrest" style carpets with high density foam backing as designated in subparagraph one of Paragraph Two of the complaint giving rise to this order, and any other styles determined to be in violation of the Flammable Fabrics Act, as amended, prior to the date of acceptance, by the Commission, of the final compliance report.

It is further ordered, That respondents herein shall, within ten (10) days after service upon them of this order, file with the Commission a special report in writing setting forth the respondents' intentions as to compliance with this order. This special report shall also advise the Commission fully and specifically concerning (1) the identity of the products which gave rise to the complaint, (2) the identity of the purchasers of said products, (3) the amount of said products on hand and in the chan-

nels of commerce, (4) any action taken and any further actions proposed to be taken to notify customers of the flammability of said products and effect the recall of said products from customers, and of the results thereof, (5) any disposition of said products since April 13, 1972, and (6) any action taken or proposed to be taken to bring said products into conformance with the applicable standard of flammability under the Flammable Fabrics Act, as amended, or destroy said products and the results of such action. Respondents will submit with their report, a complete description of each style of carpet or rug currently in inventory or production. Upon request, respondents will forward to the Commission for testing a sample of any such carpet or rug.

It is further ordered, That respondents notify the Commission at least 30 days prior to any proposed change in the corporate respondent 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 the respondent corporation shall forthwith distribute a copy of this order to each of its operating divisions.

It is further ordered, That the individual respondents named herein promptly notify the Commission of the discontinuance of their present business or employment and of their affiliation with a new business or employment. Such notice shall include individual respondents' current business or employment in which they are engaged as well as a description of their duties and responsibilities.

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

Order

IN THE MATTER OF

GREAT WESTERN UNITED CORPORATION, ET AL.

ORDER OF MODIFICATION IN REGARD TO THE ALLEGED
VIOLATION OF THE FEDERAL TRADE COMMISSION AND THE
TRUTH IN LENDING ACTS

Docket C-2306. Complaint, October 20, 1972-Order modifying final order,
April 25, 1973.*

Order modifying Sections IA3, IB1 and IB3 of the final order* relative to the required disclosure of certain statements in printed advertisements concerning respondents' training courses which are associated with real estate projects.

ORDER MODIFYING FINAL ORDER

Pursuant to Section 3.72 of the Commission's Rules of Practice, the Commission issued an Order to Show Cause why Sections IA3, IB1 and IB3 of the Final Order to Cease and Desist, dated October 20, 1972, should not be modified. Upon consideration of the answer of the respondents received March 19, 1973 and that of counsel supporting the complaint received March 26, 1973 and the Commission being satisfied that such modification would be in the public interest, it is, hereby, ordered that Sections IA3, IB1 and IB3 be altered and modified to read as follows:

IA3.

Failing to clearly and conspicuously disclose the following statement, where appropriate, in all printed advertisements concerning 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 current Government HUD Report (or "State of California, Department of Real Estate's Public Report" or "[name of state] Public Report," where appropriate) issued for a tract in [insert common name of project] and it is recommended that you read this report before enrolling.

IB1.

Failing to clearly and conspicuously disclose the following

*See 81 F.T.C. 661