

Complaint

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IN THE MATTER OF

LINCOLN UPHOLSTERY COMPANY, ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
FEDERAL TRADE COMMISSION AND TRUTH IN LENDING ACTS*Docket C-2521. Complaint, July 12, 1974—Decision, July 12, 1974*

Consent order requiring a Chicago, Ill., seller and installer of carpeting and other goods and services, among other things to cease using any sales plan employing false, misleading or deceptive statements or representations to obtain leads to potential customers; using bait advertising; disparaging advertised products; using misleading savings claims; failing to provide customers with a three-day cooling-off period within which they may cancel their contracts with full refund rights. Further, respondents are required to include a statement on all notes of indebtedness that any third-party is bound by the terms and conditions of the contract, and to cease violating the Truth in Lending Act by failing to disclose to customers, in connection with the extension of customer credit, such information as required by Regulation Z of the said Act.

Appearances

For the Commission: *Kozo Fukuda.*

For the respondents: *Robert S. Atkins, Freeman, Freeman & Atkins,*
Chicago, Ill.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and of 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 Lincoln Upholstery Company, a partnership, and Isadore Shapiro and Howard Kaufman, individually and as co-partners trading and doing business as Lincoln Upholstery Company, Lincoln Upholstery and Furniture Company, Lincoln Upholstery and Carpet Company, Lincoln Carpet Company, and Commercial Contract Carpet Company, hereinafter referred to as respondents, have violated the provisions of said Acts and implementing regulation 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 Lincoln Upholstery Company, a partnership, is organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its principal place of business at 7170 West Grand Avenue, Chicago, Ill.

Respondents Isadore Shapiro and Howard Kaufman are individuals

who are co-partners trading and doing business as the said Lincoln Upholstery Company, Lincoln Upholstery and Furniture Company, Lincoln Upholstery and Carpet Company, Lincoln Carpet Company, and Commercial Contract Carpet Company. They formulate, direct and control the acts and practices of the said respondent partnership. Their address is the same as that of the respondent partnership.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the advertising, offering for sale, sale, delivery and installation of carpeting to the public at retail, and in the advertising, offering for sale, and sale of other goods and services to the public at retail.

COUNT I

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

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

PAR. 4. In the course and conduct of their aforesaid business, and for the purpose of inducing the purchase of their carpeting and other goods and services, respondents have made, and are now making, numerous statements and representations by repeated advertisements through audio and visual means disseminated by television broadcasts with interstate coverage, and in newspapers of interstate circulation, and by oral statements and representations of their salesmen to prospective purchasers with respect to their products and services.

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

Save \$\$\$ on 100% BROADLOOM WALL-TO-WALL Carpeting

2 Rooms and a Hall

\$119

No Extras! This Low, Low Price Includes

- First Quality Broadloom
- Custom Installation Anywhere within 100 Miles
 - Padding
 - Metal Door Bars
 - Certified Measurements

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* * * * *

LINCOLN'S SHOP AT HOME SALE AND FOR LESS! Why Spend two, four hundred dollars * * * when Lincoln carpets three rooms, wall-to-wall * * * from one nineteen complete!

* * * * *

A message from Lincoln Carpeting Home of the Professionals

* * * * *

The Lincoln Professionals Do the Job Quicker and Better

* * * * *

When Lincoln carpets three rooms, wall-to-wall * * * from one nineteen complete!

* * * * *

Save 1/3 on Plastic Covers

* * * * *

Save \$\$\$ on Reupholstery

* * * * *

Drapery Sale

* * * * *

PAR. 5. By and through the use of the above-quoted statements and representations, and others of similar import and meaning but not expressly set out herein, separately and in connection with the oral statements and representations of respondents' salesmen to customers and prospective customers, respondents have represented, and are now representing, directly or by implication, that:

1. Respondents are making a bona fide offer to sell the advertised carpeting and floor coverings at the price and on the terms and conditions stated in the advertisements.

2. By use of the word "Padding," and other words of similar import and meaning, all of the carpeting mentioned in such advertisements is installed with separate padding included at the advertised price.

3. By use of color illustrations appearing in newspaper advertisements and in TV commercials, the advertised carpeting is actually available in the colors and styles depicted in such advertisements and commercials.

4. By use of phrases such as "Save \$\$\$," "100% Broadloom," and other words and phrases of similar import and meaning, the respondents have no reservations as to the suitability of advertised carpeting for normal household use from the standpoint of durability.

5. By use of words and phrases such as "Sale," "Why Pay," "Save 1/3 on Plastic Covers," and words or phrases of similar import and meaning, the advertised prices represent reductions in price, which reductions are not insignificant, from those previously charged by the respondents for the advertised carpeting or other advertised goods or services.

PAR. 6. In truth and in fact:

1. Respondents' offers are not bona fide offers to sell said carpeting and floor coverings at the price and on the terms and conditions stated in the advertisements. To the contrary, said offers are made for the purpose of obtaining leads to persons interested in the purchase of carpeting. Members of the purchasing public who respond to said advertisements are called upon in their homes by respondents or their salesmen, who make little or no effort to sell to the prospective customer the advertised carpeting. Instead, they exhibit what they represent to be the advertised carpeting which, because of its poor appearance and condition, is frequently rejected on sight by the prospective customer. Higher priced carpeting or floor coverings of superior quality and texture are thereupon exhibited, which by comparison disparages and demeans the advertised carpeting. By these and other tactics, purchase of the advertised carpeting is discouraged, and respondents, through their salesmen, attempt to sell and frequently do sell the higher priced carpeting.

2. A substantial portion of the carpeting advertised by the respondents is not installed with separate padding which is included in the advertised price. To the contrary, a substantial portion of the advertised carpeting has rubberized backing which is bonded to the carpeting.

3. The advertised carpeting is generally not available in the colors and styles depicted in the color illustrations appearing in newspaper advertisements and TV commercials. To the contrary, the advertised carpeting generally is available only in one or two colors or styles which are not depicted in such color illustrations.

4. The respondents have definite reservations as to the durability of the advertised carpeting. In many instances, respondents sell such advertised carpeting only under the express condition that such carpeting is "not guaranteed" as to "durability or wearability."

5. The advertised prices for advertised products or services generally do not represent savings. In most instances, advertised prices for advertised products and services during May or June of 1973 have been the same as those featured each week for a period of several months or more.

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

PAR. 7. 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 indi-

viduals in the sale and distribution of carpeting and other goods and services of the same general kind and nature as those sold by respondents.

PAR. 8. The use by respondents of the aforesaid false, misleading and deceptive statements, representations, acts and practices, and their failure to disclose material facts, as aforesaid, 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 complete, and into the purchase of substantial quantities of respondents' products and services by reason of said erroneous and mistaken belief. Respondents or their representatives thus have induced customers to enter into contracts upon initial contact without giving the customers sufficient time to carefully consider the purchases and consequences thereof.

Additionally, in cases where consumers buy pursuant to retail installment sales contracts, respondents in some instances have directly or indirectly caused consumers to believe that they are precluded from raising failure of performance by respondents as a defense to demands for payment, when such demands for payment are made by assignees of the respondents.

PAR. 9. The aforesaid acts and practices of 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

Alleging violations of the Truth in Lending Act, and the implementing regulations promulgated thereunder, the allegations of Paragraphs One and Two are incorporated by reference as if fully set forth verbatim.

PAR. 10. In the ordinary course and conduct of their business as aforesaid, respondents regularly extend consumer credit, as "consumer credit" is defined in Section 226.2(k) of Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 11. Subsequent to July 1, 1969, in the ordinary course and conduct of their business and in connection with credit sales as "credit sale" is defined in Section 226.2(n) of Regulation Z, respondents have caused, and are now causing, their customers to execute each of three documents contemporaneously as follows: (1) a form entitled "Contract;" (2) a form entitled Credit Application; and (3) a form entitled

retail installment contract and security agreement. The "Contract," which purports on its face to obligate the customer to pay on delivery of goods and services which are the subject of the credit sale, fails to state the actual terms of payment and other items required to be disclosed under Section 226.8 of Regulation Z. Such disclosures, which generally purport to be responsive to Section 226.8(b) and (c) of Regulation Z, are actually contained in the contemporaneously executed retail installment contract and security agreement.

In some instances, respondents have caused, and are now causing, customers to execute the so-called "Contract" prior to the time that disclosures are completed in the retail installment contract and security agreement. The execution of such "Contract" by the customer created a contractual relationship between the customer and the respondents. Such a relationship constitutes the consummation of a transaction within the meaning of Section 226.2 (cc) of Regulation Z.

PAR. 12. By the acts and practices set forth in Paragraph Eleven, in some instances the respondents have failed to provide customers with disclosures in connection with credit sales prior to the consummation of such transaction, and have thus violated Section 226.8(a) of Regulation Z.

PAR. 13. The said "Contract" which is used together with the retail installment contract and security agreement in connection with credit sales, contains, *inter alia*, the following confession of judgment clause:

In the event of any default by Customer of any of the provisions of this agreement, Customer hereby irrevocably authorizes any attorney of any court of record to appear for Customer in such court during time or vacation, and to confess judgment without process against Customer in favor of Lincoln or Lincoln's assigns for such sum as may be due hereunder, together with interest, costs of collection and reasonable attorney's fees, and to waive and release all errors which may intervene in any such proceedings, and consent to immediate execution upon said judgment, hereby ratifying and confirming all that said attorney may do by virtue hereof. This clause shall not be deemed a part of this Contract if contract is executed in Indiana.

Additionally, subsequent to July 1, 1969, a large portion of credit sales by the respondents has involved, and does still involve, the sale and installation of wall-to-wall carpeting in the homes of customers. As part of such sales, such carpeting is installed in behalf of the respondents by a sub-contractor who is retained and is to be paid by the respondents. The sub-contractor uses workmen to install the carpeting in the homes of customers of the respondents as part of such credit sales transactions.

PAR. 14. By use of the so-called "Contract" containing a confession of judgment clause as part of their credit sales transactions, as "credit

sale" is defined in Section 226.2(n) of Regulation Z, in some instances, the respondents have retained or acquired, or will retain or acquire, a security interest, as "security interest" is defined in Section 226.2(z) of Regulation Z, in real property which is used, or which is expected to be used, as the principal residence of the customer. Respondents' retention or acquisition of a security interest in said real property gives their customers, who are extended consumer credit, as "consumer credit" is defined in Section 226.2(k) of Regulation Z, the right to rescind the transaction until midnight of the third business day following the date of consummation of the transaction or the date of delivery of all the disclosures required by Regulation Z, whichever is later.

Additionally, where wall-to-wall carpeting is the subject of a credit sale, in some instances, the respondents, the subcontractor, and the workmen have retained or acquired, or will retain or acquire, a security interest, as "security interest" is defined in Section 226.2(z) of Regulation Z, in real property which is used, or which is expected to be used, as the principal residence of the customer. The retention or acquisition of a security interest in such real property by the respondents, the subcontractor, and the workmen, or by any of them, gives the customers of the respondents, who are extended consumer credit by the respondents, as "consumer credit" is defined in Section 226.2(k) of Regulation Z, the right to rescind the transaction until midnight of the third business day following the date of consummation of the transaction or the date of delivery of all the disclosures required by Regulation Z, whichever is later.

However, in such instances where customers have the right to rescission, respondents have failed to provide each customer with notice of the right to rescind, in the form and manner specified by Section 226.9(b) of Regulation Z, and have thus violated Section 226.9(b) of Regulation Z.

PAR. 15. Respondents have caused additional information and provisions to appear in the form entitled "Contract" used in connection with their credit sales, as "credit sale" is defined in Section 226.2(n) of Regulation Z, referred to above. For example, the "Contract" purports to create a cash-on-delivery transaction, contradicting the actual terms of payment which are set forth in the contemporaneously executed retail installment contract and security agreement.

Typical and illustrative examples of such additional information and provisions, but not all inclusive thereof, are the following:

1. This contract is immediately effective when signed by both parties hereto or their duly authorized agents, and is not subject to cancellation, exchange or refund. Customer agrees that should he fail or refuse to perform the terms of this contract, he shall pay to.

Lincoln a sum of money equal to one-third (1/3) the contract price as liquidated damages, except as provided in Paragraph 2.

2. In the case of furniture to be reupholstered or re-styled by Lincoln, if within ninety (90) days from the date hereof, Customer has not paid all amounts required to be paid before delivery and has not, at Customer's expense, picked up his furniture, Lincoln shall thereupon discard such furniture, retaining as liquidated damages any deposits made by customer, and Lincoln and Customer shall have no further liability to each other.

The "Contract" further states:

This contract constitutes the sole and entire agreement between the parties. No warranties, representations, or promises, oral or written, have been made by Lincoln unless endorsed hereon in writing. I (we) agree to the terms of this contract and warrant and represent that I (we) have read this contract in its entirety, understand and agree to all the terms and provisions contained herein, and acknowledge receipt of a true copy of this contract.

PAR. 16. By and through the use of the above-quoted additional information, respondents have also represented, and are now representing, to their customers that such customers would be liable for damages in the event that such customers exercise their right to rescind, regardless of any right which may be conferred under Section 226.9(d) of Regulation Z. Such representation, in instances where customers have the right to rescind, contradicts Section 226.9(a) and (d) of Regulation Z. Said additional information has been stated, utilized, or placed by the respondents so as to mislead, or confuse the customer, and contradicts, obscures, and detracts attention from the information required by Regulation Z to be disclosed, thereby violating Section 226.6(c) of Regulation Z.

PAR. 17. Subsequent to July 1, 1969, in the ordinary course and conduct of their business and in connection with credit sales as "credit sale" is defined in Section 226.2(n) of Regulation Z, in some instances, respondents have been unable or have otherwise failed to present for inspection, when requested to do so by representatives of the Federal Trade Commission, copies of disclosure statements with respect to credit sales consummated within the two years immediately preceding the date of such request. The copies of disclosure statements constitutes evidence of compliance with Regulation Z. The inability or other failure of the respondents to produce such disclosure statements, upon request, to representatives of the Federal Trade Commission, was consequently a violation of Section 226.6(i) of Regulation Z.

PAR. 18. 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 Chicago 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 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 sixty (60) 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 Lincoln Upholstery Company, a partnership, is organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its principal place of business at 7170 West Grand Avenue, Chicago, Ill.

Respondents Isadore Shapiro and Howard Kaufman are individuals who are co-partners trading and doing business as the said Lincoln Upholstery Company, Lincoln Upholstery and Furniture Company, Lincoln Upholstery and Carpet Company, Lincoln Carpet Company, and Commercial Contract Carpet Company. They formulate, direct and control the acts and practices of the said respondent partnership.

2. The Federal Trade Commission has jurisdiction of the subject

matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

I

It is ordered, That respondents Lincoln Upholstery Company, a partnership, and Isadore Shapiro and Howard Kaufman, individually and as co-partners trading and doing business as Lincoln Upholstery Company, Lincoln Upholstery and Furniture Company, Lincoln Upholstery and Carpet Company, Lincoln Carpet Company, and Commercial Contract Carpet Company, or under any other name or names, and respondents' agents, representatives, and employees, successors and assigns, directly or through any corporation, subsidiary, division or other device, in connection with the advertising, offering for sale, sale or distribution of carpeting and floor coverings, or any other article of merchandise, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Using, in any manner, a sales plan, scheme, or device wherein false, misleading, or deceptive statements or representations are made in order to obtain leads or prospects for the sales of carpeting or other merchandise or services.
2. Making representations, orally or in writing, directly or by implication, purporting to offer merchandise for sale when the purpose of the representation is not to sell the offered merchandise but to obtain leads or prospects for the sale of other merchandise at higher prices.
3. Disparaging, in any manner, or discouraging the purchase of any merchandise or services which are advertised or offered for sale.
4. Representing, orally or in writing, directly or by implication, that any merchandise or services are offered for sale when such offer is not a bona fide offer to sell such merchandise or services.
5. Failing to maintain and produce for inspection and copying for a period of three years adequate records to document for the entire period during which each advertisement was run and for a period of six weeks after the termination of its publication in press or broadcast media:
 - a. The cost of publishing each advertisement including the preparation and dissemination thereof;
 - b. The volume of sales of the advertised product or service at the advertised price; and

c. A computation of the net profit from the sales of each advertised product or service at the advertised price.

6. Representing, orally or in writing, directly or by implication, that a stated price for carpeting or floor coverings includes the cost of a separate padding and the installation of such padding and carpeting thereof, unless in every instance where it is so represented the stated price for floor coverings does, in fact, include the cost of such separate padding and installation thereof; or misrepresenting in any manner, the prices, terms, or conditions under which respondents supply separate padding and provide installation in connection with the sale of floor covering products.

7. Representing, directly or indirectly, by color illustration, orally, or in writing, that any advertised product is available in more than one pattern, style or color without stating directly and explicitly the exact patterns, styles or colors, in which such advertised product is available, and the time required for delivery.

8. Failing to disclose clearly and conspicuously within each advertisement for an advertised product or service each reservation, if any, as to suitability or durability of such advertised product or service for normal usage by the customers who may buy such product or service.

9. Representing, directly or indirectly, orally, visually or in writing, that the advertised price for an advertised product or service represents savings:

a. where the advertised price for such advertised product or service has been in effect for the three weeks immediately preceding the date on which such price is featured in any advertisement;

b. where the advertised price has not been previously documented as representing a not insignificant reduction from the prices at which the advertised product or service had been openly and actively offered for sale during seven of the ten weeks immediately preceding the date on which such advertised price is included within any advertisement;

c. where the advertisement containing the advertised price has been prepared for Lincoln by an advertising agency or advertising representative who has not previously provided the respondents with a signed statement certifying that such agency or representative is familiar with the Federal Trade Commission's Guides on Deceptive Pricing and with the instant order to cease and desist, and intends to prepare all such

advertisements in compliance with both the Guides and the instant order to cease and desist.

10. Failing to furnish the buyer, except in those instances where the buyer receives a Notice of Right of Rescission prescribed by Regulation Z under the Truth in Lending Act, with a fully completed receipt or copy of any contract pertaining to such sale at the time of its execution, which is in the same language, *e.g.*, Spanish, as that principally used in the oral sales presentation and which shows the date of the transaction and contains the name and address of the seller, and in immediate proximity to the space reserved in the contract for the signature of the buyer or on the front page of the receipt if a contract is not used and in bold face type of a minimum size of 10 points, a statement in substantially the following form:

YOU, THE BUYER, MAY CANCEL THIS TRANSACTION AT ANY TIME PRIOR TO MIDNIGHT OF THE THIRD BUSINESS DAY AFTER THE DATE OF THIS TRANSACTION. SEE THE ATTACHED NOTICE OF CANCELLATION FORM FOR AN EXPLANATION OF THIS RIGHT.

11. Failing to furnish each buyer, except in those instances where the buyer receives a Notice of Right of Rescission prescribed by Regulation Z under the Truth in Lending Act, at the time he signs the sales contract or otherwise agrees to buy consumer goods or services from the seller, a completed form in duplicate, captioned "NOTICE OF CANCELLATION," which shall be attached to the contract or receipt and easily detachable, and which shall contain in ten point bold face type the following information and statements in the same language, *e.g.*, Spanish, as that used in the contract:

NOTICE OF CANCELLATION

(enter date of transaction)
(Date)

YOU MAY CANCEL THIS TRANSACTION, WITHOUT ANY PENALTY OR OBLIGATION, WITHIN THREE BUSINESS DAYS FROM THE ABOVE DATE.

IF YOU CANCEL, ANY PROPERTY TRADED IN, ANY PAYMENTS MADE BY YOU UNDER THE CONTRACT OR SALE, AND ANY NEGOTIABLE INSTRUMENT EXECUTED BY YOU WILL BE RETURNED WITHIN 10 BUSINESS DAYS FOLLOWING RECEIPT BY THE SELLER OF YOUR CANCELLATION NOTICE, AND ANY SECURITY INTEREST ARISING OUT OF THE TRANSACTION WILL BE CANCELLED.

IF YOU CANCEL, YOU MUST MAKE AVAILABLE TO THE SELLER AT YOUR RESIDENCE, IN SUBSTANTIALLY AS GOOD CONDITION AS WHEN RECEIVED, ANY GOODS DELIVERED TO YOU UNDER THIS CONTRACT OR SALE: OR YOU MAY IF YOU WISH, COMPLY WITH THE IN-

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INSTRUCTIONS OF THE SELLER REGARDING THE RETURN SHIPMENT OF THE GOODS AT THE SELLER'S EXPENSE AND RISK.

IF YOU DO MAKE THE GOODS AVAILABLE TO THE SELLER AND THE SELLER DOES NOT PICK THEM UP WITHIN 20 DAYS OF THE DATE OF YOUR NOTICE OF CANCELLATION, YOU MAY RETAIN OR DISPOSE OF THE GOODS WITHOUT ANY FURTHER OBLIGATION. IF YOU FAIL TO MAKE THE GOODS AVAILABLE TO THE SELLER, OR IF YOU AGREE TO RETURN THE GOODS TO THE SELLER AND FAIL TO DO SO, THEN YOU REMAIN LIABLE FOR PERFORMANCE OF ALL OBLIGATIONS UNDER THE CONTRACT.

TO CANCEL THIS TRANSACTION, MAIL OR DELIVER A SIGNED AND DATED COPY OF THIS CANCELLATION NOTICE OR ANY OTHER WRITTEN NOTICE, OR SEND A TELEGRAM, TO _____ (Name of Seller), AT _____ (address of seller's place of business) NOT LATER THAN MIDNIGHT OF _____ (Date).

I HEREBY CANCEL THIS TRANSACTION.

(date)

(Buyer's signature)

12. Failing, before furnishing copies of the "Notice of Cancellation" to the buyer, to complete both copies by entering the name of the seller, the address of the seller's place of business, the date of the transaction, and the date, not earlier than the third business day following the date of the transaction, by which the buyer may give notice of cancellation.

13. Including in any contract or receipt any liquidated damages, forfeitures, confession of judgment, or any waiver of any of the rights to which the buyer is entitled under this order including specifically his right to cancel the sale in accordance with the provisions of this order.

14. Failing to inform each buyer orally, at the time he signs the contract or purchases the goods or services, of his right to cancel.

15. Misrepresenting, directly or indirectly, orally or in writing, the buyer's right to cancel.

16. Failing or refusing to honor any valid notice of cancellation by a buyer within ten (10) business days after the receipt of such notice, to (i) refund all payments made under the contract or sale; (ii) return any goods or property traded in, in substantially as good condition as when received by the seller; (iii) cancel and return any negotiable instrument executed by the buyer in connection with the

contract or sale and take any action necessary or appropriate to terminate promptly any security interest created in the transaction.

17. Negotiating, transferring, selling or assigning any note or other evidence of indebtedness to a finance company or other third party prior to midnight of the fifth business day following the day the contract was signed or the goods or services were purchased.

18. Failing, within 10 business days of receipt of the buyer's notice or cancellation, to notify him whether the seller intends to repossess or to abandon any shipped or delivered goods.

19. Failing to include the following statement clearly and conspicuously on the face of any note, contract or other instrument of indebtedness executed by or on behalf of respondents' customers:

NOTICE

Any holder takes this instrument subject to the terms and conditions of the contract which gave rise to the debt evidenced hereby, any contractual provision or other agreement to the contrary notwithstanding.

II

It is further ordered, That respondents Lincoln Upholstery Company, a partnership, and Isadore Shapiro and Howard Kaufman, individually and as co-partners trading and doing business as Lincoln Upholstery Company, Lincoln Upholstery and Furniture Company, Lincoln Upholstery and Carpet Company, Lincoln Carpet Company, and Commercial Contract Carpet Company, under any name or names, respondents' agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with any consumer credit sale, as "consumer credit" and "credit sale" 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 provide any customer prior to consummation of the transaction with a copy, which the customer may retain, of all disclosures required to be made by Section 226.8 of Regulation Z, in the form and manner prescribed therein, as required by Section 226.8(a) of Regulation Z.

2. Failing, in any transaction in which a security interest is or will be retained or acquired in real property which is used or is expected to be used as the principal residence of the customer, to provide each customer with notice of the right to rescind, in the form and manner specified by Section 226.9(b) of Regulation Z, prior to consummation of the transaction.

3. Supplying or using:

a. in any credit sale transaction, any additional information, contract clause, or other statement pertaining to such transaction, which represents, directly or indirectly, that a cash-on-delivery transaction is involved.

b. in any transaction in which a security interest is or will be retained or acquired in real property which is used or is expected to be used as the principal residence of the customer, any additional information, contract clause, or other statement pertaining to such transaction, which represents, directly or indirectly, that the customer may be liable for damages in the event of cancellation, or which represents, directly or indirectly, that the customer would not be entitled to a complete refund in the event that such customer elects to exercise his right to rescind pursuant to Section 226.9(a) and (d) of Regulation Z.

4. Supplying, or using, any additional information, contract clause, or other statement pertaining to a transaction generally, unless such additional information, contract clause or other statement is provided in a fashion which complies with Section 226.6(c) of Regulation Z.

5. Failing to preserve, and to make available upon request for inspection by any authorized representative of the Federal Trade Commission copies of all disclosures given with respect to each credit transaction, and other evidence of compliance with Regulation Z, for a period of two years from the date of such transaction, as required by Section 226.6(i) of Regulation Z.

6. 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 respondents, for a period of one (1) year from the effective date of this order, shall provide each advertising agency utilized by respondents and each newspaper publishing company, television or radio station or other advertising media which is utilized by the respondents to obtain leads for the sale of carpeting or other goods and services, with a copy of the Commission's news release setting forth the terms of this order.

It is further ordered, That respondents deliver a copy of this order to cease and desist to each operating division and to all present and future personnel of respondents engaged in the consummation of any extension of consumer credit, and that respondents secure a signed state-

ment, acknowledging receipt of said order from each such person.

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 respondents' current business address and a statement as to the nature of the 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.

IN THE MATTER OF

ROCKWELL INTERNATIONAL CORPORATION*

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF