

IN THE MATTER OF

PIONEER ASSOCIATED CONTRACTORS, INC., ET AL.

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

Docket 8895. Complaint, Aug. 10, 1972—Decision, Sept. 5, 1974

Consent order requiring a Denver, Colo., home improvement firm, among other things to cease making false pricing, savings and guarantee claims; inducing purchasers to sign blank or partially blank legal documents; and failing to disclose to consumers in connection with the extension of consumer credit, such information as required by Regulation Z of the Truth in Lending Act. Further, respondent is required to include on the face of its notes, a notice that any subsequent holder takes the note with all conditions of the contract evidencing the debt.

Appearances

For the Commission: *Thomas H. Emmerson.*

For the respondents: *Gould, Moch & Bernick*, Denver, Colo.

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 Pioneer Associated Contractors, Inc., a corporation, and Robert Rudey, Duane Morey, and Ray Grass, individually and as officers of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts, and of the implementing regulation promulgated under the Truth in Lending Act, 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 Pioneer Associated Contractors, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Colorado, with its principal office and place of business located at 4301 York Street, in the city of Denver, State of Colorado.

Respondents Robert Rudey, Duane Morey, and Ray Grass are individuals and officers of the corporate respondent. They formulate, direct, and control the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. Their address is the same as the corporate respondent.

PAR. 2. Respondents are now and for some time last past have been engaged in the advertising, offering for sale, sale, distribution, and installation of residential siding and roofing materials to the public.

COUNT I

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

PAR. 3. In the course and conduct of their business as aforesaid, respondents now cause, and for some time last past have caused, their said products, when sold, to be shipped from their place of business in the State of Colorado 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 products 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 products, respondents have made and are now making, numerous statements and representations in promotional material and through oral statements made by their salesmen and representatives with respect to the nature of their offer, their prices, time limitations, guarantees and performance of their products.

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

Guaranteed for life.
Save 30% in heating bills

If someone purchases from us after seeing your home, we'll knock off some of the payments.

We're offering you a reduced price because we would like to use your home for advertising purposes.

PAR. 5. By and through the use of the aforesaid 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 their salesmen and representatives, the respondents have represented, and are now representing, directly or by implication that:

1. The offer to sell respondents' materials is for a limited time only.
2. Respondents will provide a free gift such as shutters for windows, residential siding materials for auxiliary buildings, or electrical appli-

ances for purchasers or prospective purchasers of respondents' materials.

3. Respondents' siding materials are being offered for sale at special or reduced prices and that purchasers are thereby being offered a savings from respondents' regular selling prices.

4. Purchasers of respondents' siding materials will realize a 30 percent savings in the cost of heating or cooling their residences.

5. Siding materials sold by respondents will never require repairing.

6. Siding materials sold and installed by respondents are unconditionally guaranteed in every respect without limitation for a period of 25 years or more.

7. Homes of prospective purchasers have been specially selected for the installation of respondents' products and materials as model homes or advertising homes, and as a result of allowing their homes to be used for advertising purposes, purchasers would receive allowances, discounts, or commissions.

8. Respondents will perform all the services and provide all of the material as agreed, both orally and in writing, by the parties.

9. Purchasers of respondents' materials and installation will be able to pay for a substantial portion of the contract price with payments from respondents for referral of potential customers.

PAR. 6. In truth and in fact:

1. The offer set forth above was not for a limited time only. Respondents' merchandise is regularly available.

2. Purchasers or prospective purchasers of respondents' products have not received free gifts such as shutters, siding materials and electrical appliances.

3. Respondents' siding materials are not being offered for sale at special or reduced prices, and customers do not thereby enjoy savings from the regular price of respondents' products.

4. All purchasers of respondents' residential siding materials will not realize a 30 percent reduction in the cost of heating or cooling their residences. Few, if any, will realize such savings.

5. Residential siding materials sold and installed by respondents will require repairing.

6. Respondents' residential siding materials and installations are not unconditionally guaranteed in every respect without limitations for a period of twenty-five years (25). Such guarantee as may be provided is subject to numerous terms, conditions and limitations.

7. Homes of prospective customers are not specially selected as model homes for the installation of respondents' products; after instal-

lation, such homes are not used for demonstration or advertising purposes by respondents; and purchasers, as a result of allowing their homes to be used as models, are not granted reduced prices nor do they receive allowances, discounts or commissions.

8. Respondents have failed in several instances to provide the materials and perform the services as agreed to, both orally and in writing, by the parties.

9. Purchasers of respondents' materials and installation do not have a substantial portion of the contract price paid for by payments from respondents for referrals of potential customers.

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 further course and conduct of their business, and in furtherance of a sales program for inducing the purchase of their siding materials, respondents, their salesmen and representatives have engaged in the following additional unfair and false, misleading and deceptive acts and practices:

1. In a substantial number of instances, and in the usual course of their business, respondents sell and transfer their customers' obligations, procured by the aforesaid unfair, false, misleading, and deceptive means, to various financial institutions. In any subsequent legal action to collect on such obligations, these financial institutions or other third parties, as a general rule, may cut off various personal defenses, otherwise available to the obligor, arising out of the respondents' failure to perform or out of other unfair, false, misleading, or deceptive acts and practices on the part of respondents.

2. In a substantial number of instances through the use of false, misleading, and deceptive statements and representations set out in Paragraphs Four and Five above, respondents have been able through high pressure sales tactics to induce customers into signing contracts with the respondents on the respondents' initial contact with the customers. In such a situation, it is highly improbable that the customer was able to seek out advice or make an independent decision on whether or not he should enter into the contract and, therefore, had to rely heavily on the advice and information given to him by respondents.

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

PAR. 8. 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

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individuals in the sale of residential siding materials and other products of the same general kind and nature as that sold by respondents.

PAR. 9. The use by respondents of the aforesaid false, misleading, and deceptive statements, representations, and practices has had, and now has, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were and are true and into the purchase of substantial quantities of respondents' products by reason of said erroneous and mistaken belief.

PAR. 10. The aforesaid acts and practices of respondents, as herein alleged, were and are 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 regulation promulgated thereunder, and of the Federal Trade Commission Act, the allegations of Paragraphs One and Two hereof are incorporated by reference in Count II as if fully set forth verbatim.

PAR. 11. In the course and conduct of their business as aforesaid, respondents regularly extend, and for some time last past have regularly extended, consumer credit as "consumer credit" is defined in Regulation Z, the implementing regulation of the Truth in Lending Act duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 12. Subsequent to July 1, 1969, respondents, 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, have caused and are now causing their customers to execute retail installment contracts, hereinafter referred to as the contract.

PAR. 13. By and through the use of the contract, respondents, in a number of instances, have failed to:

1. Disclose the annual percentage rate as required by Section 226.5(b)(1) of Regulation Z.
2. Disclose the due dates or period of payments scheduled to repay the indebtedness, and the sum of such payments, using the term "total of payments," as required by Section 226.8(b)(3) of Regulation Z.
3. Provide a clear identification of the property to which any security interest relates or if such property is not identifiable, an explanation of

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the manner in which the creditor retains or may acquire a security interest in such property the creditor is unable to identify, as required by Section 226.8(b)(5) of Regulation Z.

4. Disclose the cash price of the goods or services sold, using the term "cash price," as required by Section 226.8(c)(1) of Regulation Z.

5. Use the terms, "cash downpayment" and "total downpayment" and give the corresponding disclosures with those terms, as required by Section 226.8(c)(2) of Regulation Z.

6. Use the term "deferred payment price" and give the corresponding disclosure with that term, as required by Section 226.8(c)(8)(ii) of Regulation Z.

7. Disclose the difference between the amount of the cash price of the property and/or service and the amount of the downpayment, using the term "unpaid balance of cash price" as required by Section 226.8(c)(3) of Regulation Z.

8. Disclose all other charges, individually itemized which are included in the amount financed but which are not a part of the finance charge as required by Section 226.8(c)(4) of Regulation Z.

9. Use the term "unpaid balance" and provide the corresponding disclosure with that term as required by Section 226.8(c)(5) of Regulation Z.

PAR. 14. By and through the use of the contract respondents have in various instances induced and caused their customers to affix their signatures to such contracts prior to the completion and insertion of all terms and figures relevant to such contract. In such manner the respondents have failed to provide those disclosures required by Section 226.8(a) (b) (c).

PAR. 15 . By and through the use of respondents' contract to perform various home improvements, a security interest, as "security interest" is defined in Section 226.2 (z) of Regulation Z, is or will be retained or acquired in real property which is used or expected to be used as the principal residence of respondents' customers. Respondents' retention or acquisition of such security interest in said real property thereby entitles his credit customers to be given the right to rescind that transaction until midnight of the third business day following the consummation of the transaction or the date of delivery of all the disclosures required by Regulation Z, whichever is later.

Respondents have failed in a number of instances to provide their customers with a notice of the customers' right to rescind as required by Section 226.9 (b) of Regulation Z.

Respondents have caused the following additional information and clause to appear in the contract:

Owner agrees that in event of cancellation of this contract before work is started, Owner shall pay to Contractor on demand twenty-five (25%) per cent of the contract price as its stipulated damage for the breach.

By and through the use of the above-quoted additional information and clause respondents have and are representing to their customers that they are liable for damages in the event that these customers exercise their right to rescind, thereby violating Section 226.9(d) of Regulation Z. And, said additional information is stated and utilized 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. 16. By and through the use of the contract, respondents have agreed to deliver to the owner of the property receiving the home improvements, the requisite lien waivers, to the end, that no lien may attach to the owners' property by virtue of the work and materials to be furnished under the contract.

Respondents have not delivered the above referred to lien waivers to their customers in a number of instances where delivery of such waivers was contracted for by the parties. In these instances, the security interests which have been or will be retained or acquired, have not been effectively waived.

Respondents, therefore, remain obligated to make the proper disclosures and otherwise act in accordance with Section 226.9 of Regulation Z.

In the instances referred to above, in which respondents have failed to deliver the requisite lien waivers, respondents have also failed to make the proper disclosures and act in accordance with Section 226.9 of Regulation Z.

PAR. 17. Pursuant to Section 103 (q) of the Truth in Lending Act, respondents' aforesaid failure to comply with the provisions of Regulation Z constitute violations of that Act, and, pursuant to Section 108 thereof, respondents thereby violated the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and having subsequently issued and served its complaint upon respondents under Part III of its rules of practice charging respondents

with violation of the Federal Trade Commission Act, and of the Truth in Lending Act and the implementing regulation thereunder, and then upon joint motion of counsel the matter was withdrawn from adjudication for the purpose of negotiating a consent agreement, and;

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all of the jurisdictional facts set forth in the 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 considered the agreement and having accepted same, and the agreement containing consent order having thereupon been placed on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34 (d) of its rules, the Commission having issued its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Pioneer Associated Contractors, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Colorado, with its office and principal place of business located at 4301 York Street, city of Denver, State of Colorado.

Respondents Robert Rudey and Ray Grass are officers of said corporation. They formulate, direct and control the policies, acts and practices of said corporation, and their principal office and place of business is located at the above-stated address.

Respondent Duane Morey was an officer of the corporation until July 10, and prior to that time cooperated and assisted in formulating, directing and controlling the policies, acts and practices of said corporation.

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

COUNT I

It is ordered, That respondents Pioneer Associated Contractors, Inc., a corporation, its successors and assigns, and its officers, and Robert Rudey, Duane Morey, and Ray Grass, individually and as officers of said corporation trading under said corporate name or any trade name or names, and respondents' agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device,

in connection with advertising, offering for sale, sale, distribution or installation of residential siding materials or other home improvement products or services or other products, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing directly or by implication that respondents' offer of products or services is limited as to time or limited in any other manner.

2. Representing directly or by implication that any price for home improvement materials or other products or services, sold or installed by respondents, is a special or reduced price; unless respondents can affirmatively show that such price constitutes a significant reduction from the price at which respondents have sold or installed substantially similar home improvements, or other products or services, for a reasonably substantial period of time in the regular course of their business.

3. Representing directly or by implication that purchasers of respondents' residential siding materials and/or services will realize any specific percentage or amount of savings in the cost of heating or air conditioning their property as a result of the installation of respondents' siding materials.

4. Representing directly or by implication that residential siding materials sold and/or installed by respondents will never require repairing, or misrepresenting, in any manner, the durability, performance or quality of respondents' products.

5. Representing directly or by implication that any of respondents' products or installations are guaranteed unless the nature, extent and duration of the guarantee, the identity of the guarantor and the manner in which the guarantor will perform thereunder are clearly and conspicuously disclosed in writing to the purchaser before the transaction is consummated, and unless the guarantor will, in fact, perform as stated in the disclosed guarantee.

6. Representing directly or by implication, that the home of any of respondents' customers or prospective customers has been specially selected as a model home, or otherwise, for advertising, demonstration or sales purposes.

7. Representing, directly or by implication, that any allowance, discount, or commission is granted by respondents to purchasers, in return for permitting the premises on which respondents' products are installed to be used for model homes or demonstration purposes.

8. Representing directly or by implication that purchasers of respondents' materials and installation will receive referral commissions from respondents for referral of potential customers in such amount as to pay for a substantial portion of the cost to the purchaser of the materials and installation; or, in any manner, misrepresenting the amount of referral commissions receivable by purchasers of respondents' materials and installation.

9. Representing that purchasers will receive referral commissions; or misrepresenting, in any manner, the amount of referral commissions that purchasers will receive.

10. Inducing or causing purchasers or prospective purchasers of respondents' merchandise or service to sign blank or partially completed sales contracts, or any other instruments.

11. Failing to deliver any and all free gifts and other promotional materials as promised to respondents' customers or prospective customers.

12. Failing to install all materials and perform all work as agreed to by both parties.

13. Assigning, selling, or otherwise transferring respondents' notes, contracts, or other documents evidencing a purchaser's indebtedness, unless any rights or defenses which the purchaser has and may assert against respondents with respect to such indebtedness are preserved and may be asserted against any assignee or subsequent holder of such note, contract, or other such documents evidencing the indebtedness.

14. Failing to include the following statement clearly and conspicuously on the face of any note, contract, or other evidence 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.

15. Failing to furnish the buyer with a fully completed copy of any contract pertaining to such sale at the time of its execution, which is in the same language 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 ten (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.

16. Failing to furnish each buyer, at the time he signs the door-to-door 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 and easily detachable, and which shall contain in ten (10) point bold face type the following information and statements in the same language 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 (3) 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 ten (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 instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do not agree to return the goods to the seller and if the seller does not pick them up within twenty (20) days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

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)

17. 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.

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

19. Misrepresenting in any manner the buyer's right to cancel.

20. Failing or refusing to honor any valid notice of cancellation by a buyer and within ten (10) business days after the receipt of such notice, to (a) refund all payments made under the contract or sale; (b) return any goods or property traded in, in substantially as good condition as when received by the seller; (c) 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.

21. 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.

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

COUNT II

It is further ordered, That respondents Pioneer Associated Contractors, Inc., a corporation, its successors and assigns, and its officers, and Robert Rudey, Duane Morey, and Ray Grass, individually and as officers of said corporation, trading under said corporate name or trading or doing business under any other name or names, and respondents' agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with any extension of consumer credit or any advertisement to aid, promote, or assist directly or indirectly any extension of consumer credit, as "consumer credit" and "advertisement" are defined in Regulation Z (12 C.F.R. §226) of the Truth in Lending Act, (Pub. L. 90-321, 15 USC 1601, *et seq.*), do forthwith cease and desist from:

1. Failing to disclose the annual percentage rate, computed in accordance with Section 226.5 of Regulation Z, as required by Section 226.8(b)(2) of Regulation Z.

2. Failing to disclose the due dates or period of payments scheduled to repay the indebtedness, and the sum of such payments, using the term "total of payments," as required by Section 226.8(b)(3) of Regulation Z.

3. Failing to provide a clear identification of the property to which any security interest relates or, if such property is not

identifiable, an explanation of the manner in which the creditor retains or may acquire a security interest in such property the creditor is unable to identify as required by Section 226.8(b)(5) of Regulation Z.

4. Failing to disclose the cash price of the goods or services sold, using the term "cash price," as required by Section 226.8(c)(1) of Regulation Z.

5. Failing to use the terms "cash downpayment" and "total downpayment" and failing to provide the corresponding disclosures with those terms, as required by Section 226.8(c)(2) of Regulation Z.

6. Failing to use the term "deferred payment price" and failing to provide the corresponding disclosure with that term as required by Section 226.8(c)(8)(ii) of Regulation Z.

7. Failing to disclose the difference between the amount of the cash price of the property or service and amount of the downpayment, and failing to use the term "unpaid balance of cash price" as required by Section 226.8(c)(3) of Regulation Z.

8. Failing to disclose all other charges, individually itemized which are included in the amount financed but which are not a part of the finance charge as required by Section 226.8(c)(4) of Regulation Z.

9. Failing to use the term "unpaid balance" and failing to provide the corresponding disclosure as required by Section 226.8(c)(5) of Regulation Z.

10. Failing to provide the "notice to customer required by federal law" to the customer on one side of a separate statement which identifies the transaction to which it relates, and in the form prescribed by Section 226.9(b) of Regulation Z.

11. Failing to set out the "effect of rescission," required by Section 226.9(d) of Regulation Z, in the manner and form prescribed by Section 226.9(b) of Regulation Z.

12. Failing to furnish two copies of the "notice to customer required by federal law," as prescribed by Section 226.9(b) of Regulation Z.

13. Representing directly or by implication on retail installment contracts, promissory notes, or on any written document or orally, that customers will or may be liable for damages, penalties, or any other charges for exercising their right to rescind that is provided by Section 226.9 of Regulation Z.

14. Supplying any additional information, contract clause, or other statement about the customer's liability or obligations in the event that the customer exercises his right to rescind except that

information furnished in accordance with Section 226.9 of Regulation Z.

15. 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.

16. Supplying 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.

It is further ordered, That respondents shall forthwith deliver a copy of this order to cease and desist to all present and future salesmen or other persons engaged in the sale, installation, advertising, or financing of respondents' products or services and shall secure from each such salesman or other person a signed statement acknowledging receipt of said order.

It is further ordered, That respondents notify the Commission at least thirty (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 respondents maintain adequate records which disclose the factual basis for any representations or statements as to any type of savings claims, including reduced price claims and comparative value claims, and as to any similar representations or statements of the type disclosed in the various paragraphs of this order; and from which the validity of the aforesaid representations or statements can be determined.

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

CONSOLIDATED CHEMICAL CORPORATION, INC., ET AL.

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

Docket C-2535. Complaint, Sept. 5, 1974—Decision, Sept. 5, 1974

Consent order requiring a now bankrupt Houston, Tex., seller and distributor of hot beverage dispensing machines and dried beverage cartridges, routes, licenses, franchises and distributorships, among other things to cease misrepresenting the nature of franchises or distributorships, the security of investment, earnings and profits a prospective purchaser may expect, and the quality or durability of its machines or product. Further respondents are required to furnish prospects with full particulars on the franchise operation in writing at the first contact, and allow future purchasers a 10-day cooling-off period to cancel the contract with full refund rights.

Appearances

For the Commission: *Andre Trawick, Jr.*

For the respondents: *Robert A. Markowitz and Larry G. Myers,*
Houston, Tex.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Consolidated Chemical Corporation, Inc., a corporation, and David E. Worthington, William F. Wilson, and Judyann Duffala, individually and as officers of said corporation, and Harold L. Thornton and Thomas Norton, individually and as former officers of said corporation, hereinafter referred to as respondents, have violated the provisions of said Act, (15 U.S.C. Section 45) 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 Consolidated Chemical Corporation, Inc., is a corporation that was organized, existed and did business under and by virtue of the laws of the State of Texas, and is presently in liquidating bankruptcy, pending in the U.S. District Court for the Southern District of Texas, Houston Division, in Bankruptcy No. 73-H-134, and its address is 730 Bankers Mortgage Building, in care of Daniel E. O'Connell, Trustee in Bankruptcy, in the city of Houston, State of Texas.