
IN THE MATTER OF
JOSEPH RICHARD HORVATH T/A SEW RITE
CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION ACT

Docket 8999. Complaint, Dec. 4, 1974-Decision, June 17, 1975

Consent order requiring a Springfield, Va., seller and distributor of new and used sewing machines and related products, among other things to cease using bait and switch tactics and other deceptive pricing practices.

Appearances

For the Commission: *Richard G. Day, and Richard F. Kelly.*

For the respondent: *Henry Counts, Jr., Alexandria, Va.*

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 Joseph Richard Horvath, an individual, trading and doing business as Sew Rite, hereinafter sometimes referred to as respondent, has violated the

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provisions of said 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 Joseph Richard Horvath is an individual trading and doing business as Sew Rite with his office and principal place of business located at 8002-C Haute Court, Springfield, Va. He formulates, directs and controls the acts and practices of said business, including the acts and practices hereinafter set forth.

PAR. 2. Respondent is now, and for some time last past has been, engaged in the advertising, offering for sale, sale and distribution of new and used sewing machines and related products to the general public.

PAR. 3. In the course and conduct of his business as aforesaid, respondent has caused, and now causes, advertisements for said sewing machines to appear in newspapers of interstate circulation, which advertisements are designed and intended to induce persons to purchase said sewing machines.

In the course and conduct of his business as aforesaid, respondent, from his place of business in the Commonwealth of Virginia, makes contracts for the sale of sewing machines with persons in the State of Maryland and in the District of Columbia.

In the course and conduct of his business as aforesaid, respondent, through his agents and representatives, transports his merchandise from his place of business in the Commonwealth of Virginia to the homes of purchasers located in the State of Maryland and in the District of Columbia.

Accordingly, respondent has maintained, and now maintains, a substantial course and conduct of business in commerce as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of his aforesaid business, and in furtherance of a sales program for inducing the purchase of sewing machines, respondent has made, and is now making, numerous statements and representations in advertisements inserted in newspapers of interstate circulation and in other promotional material and by oral statements and representations of his salespersons with respect to his products and services.

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

Zig-Zag Sewing Machine Brand New 1973. Must be disposed of. Orig. price \$189. Thursday only \$48.88.

Grand Opening Sale! Suggested Retail Price \$189.95 Sale Price \$58.88

3-Day Sale at Close Out Prices Plus these Items Free! Comparative Retail Values \$498. However Our Price Only \$279.

Warehouse Sale at Liquidation Prices! Plus these 10 Items FREE! Comparative Retail Values \$498. However Our Price Without Trade In Is Only \$289.

'73 SINGER ZIG ZAGS Like new. 5-yr. parts & labor guaranteed. No obligation. Free home demonstration. \$38.88. Call Credit Manager, 9-9

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 oral statements and representations by respondent's salespersons to prospective purchasers of respondent's products, respondent has represented, and is now representing, directly or by implication, that:

1. The zigzag sewing machines offered for \$48.88 had been sold, or openly and actively offered for sale, at a price of \$189 by the respondent for a reasonably substantial period of time in the recent, regular course of his business.

2. Respondent's sewing machines are being offered for sale at a price reduced from respondent's regular selling price, thereby affording savings to purchasers.

3. The advertised prices are available for only a limited period of time.

4. A bona fide offer is being made to sell the advertised Singer sewing machine at the price and on the terms and conditions stated in the advertisements.

5. Respondent's sewing machines are available at reduced prices because they have been repossessed by respondent or have been forfeited by a layaway purchaser.

6. Purchasers of the advertised Singer sewing machine receive a written guarantee from the Singer Company.

7. The sewing machine offered with "free" merchandise is being offered at its regular price, or less, and the "free" merchandise is not regularly included with the machine at the regular price.

PAR. 6. In truth and in fact:

1. The zigzag sewing machine offered by the respondent for \$48.88 had not been sold, or openly and actively offered for sale, at a price of \$189 by the respondent for a reasonably substantial period of time in the recent, regular course of his business.

2. Respondent's sewing machines are not being offered for sale at special or reduced prices and savings are not thereby afforded respondent's customers because of a reduction from respondent's regular selling prices. In fact, respondent does not have regular selling prices. The prices at which respondent's sewing machines are sold vary from customer-to-customer depending upon the resistance of the prospective purchaser.

3. Advertised prices are not available for only a limited period of time.

4. A bona fide offer is not being made to sell the advertised Singer sewing machine at the price and on the terms and conditions stated; but said offer is made for the purpose of obtaining leads as to persons interested in purchasing a sewing machine. After obtaining leads through responses to said advertisements, respondent or his salespersons call upon such persons but make no effort to sell the advertised sewing machines. Instead, they exhibit sewing machines which are in such poor condition as to be unusable or undesirable and disparage the advertised product to discourage its purchase and attempt to sell, and frequently do sell, other sewing machines at a much higher price.

5. Respondent's sewing machines are not offered to purchasers at a reduction from respondent's regular selling price as a result of having been repossessed or forfeited by a layaway purchaser. In fact, respondent's sewing machines have no regular selling price. Prices are generally arrived at through negotiation between the buyer and seller.

6. Purchasers of the advertised Singer sewing machines do not receive a written guarantee from the Singer Company.

7. The merchandise offered "free" with the purchase of the sewing machine offered for \$279, or \$289, is regularly included in the purchase of the machine at that price. When the machine is sold without the ten "free" items it is sold at a price considerably less than \$279, or \$289.

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

PAR. 7. In the further course and conduct of his aforesaid business and in furtherance of a sales program for inducing the purchase of his sewing machines, respondent has engaged in the following additional unfair and deceptive act and practice.

Through the use of false, misleading and deceptive statements and representations as set forth in Paragraphs Four through Six hereof, respondent and his salespersons have induced members of the general public to purchase respondent's sewing machines at a cost of up to several hundred dollars each without allowing such persons adequate time to consider the offer and reflect upon the merits of the offer and the effect of the expense upon their financial situation.

PAR. 8. In the course and conduct of his aforesaid business, and at all times mentioned herein, respondent has been, and now is, in substantial competition, in commerce, with corporations, firms and individuals engaged in the sale of products of the same general kind and nature as those sold by respondent.

PAR. 9. The use by respondent 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 respondent's products by reason of said erroneous and mistaken belief.

PAR. 10. The aforesaid acts and practices of the respondent, as herein alleged, were, and are, all to the prejudice and injury of the public and of respondent's 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.

INITIAL DECISION BY HARRY R. HINKES, ADMINISTRATIVE LAW
JUDGE

MARCH 31, 1975

PRELIMINARY STATEMENT

Pursuant to a complaint issued by the Commission on Dec. 4, 1974, respondent Joseph Richard Horvath, doing business as Sew Rite, was charged with 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.

Said complaint was served on respondent's attorney of record on Jan. 31, 1975, but no answer or other response has been received although an answer was required within 30 days of service.

Section 3.12(c) of the Commission's Rules of Practice provides as follows:

Failure of the respondent to file an Answer within the time provided shall be deemed to constitute a waiver of his right to appear and contest the allegations of the complaint and to authorize the Administrative Law Judge, without further Notice to the respondents, to find the facts to be as alleged in the Complaint and to enter an initial decision containing such findings, appropriate conclusions, and order.

Pursuant to said rule, complaint counsel on Mar. 7, 1975, moved that respondent be held in default for failure to file an answer. Although this motion was served on Mar. 12, 1975, no response to said motion has been made by respondent. Accordingly, complaint counsel's motion is granted and the following findings, conclusions and order are made.

FINDINGS OF FACT

PARAGRAPH 1. Respondent Joseph Richard Horvath is an individual trading and doing business as Sew Rite with his office and principal place of business located at 8002-C Haute Court, Springfield, Va. He formulates, directs and controls the acts and practices of said business, including the acts and practices hereinafter set forth.

PAR. 2. Respondent is now, and for some time last past has been, engaged in the advertising, offering for sale, sale and distribution of new and used sewing machines and related products to the general public.

PAR. 3. In the course and conduct of his business as aforesaid, respondent has caused, and now causes, advertisements for said sewing machines to appear in newspapers of interstate circulation, which advertisements are designed and intended to induce persons to purchase said sewing machines.

In the course and conduct of his business as aforesaid, respondent, from his place of business in the Commonwealth of Virginia, makes contracts for the sale of sewing machines with persons in the State of Maryland and in the District of Columbia.

In the course and conduct of his business as aforesaid, respondent, through his agents and representatives, transports his merchandise from his place of business in the Commonwealth of Virginia to the homes of purchasers located in the State of Maryland and in the District of Columbia.

Accordingly, respondent has maintained, and now maintains, a substantial course and conduct of business in commerce as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of his aforesaid business, and in the furtherance of a sales program for inducing the purchase of sewing machines, respondent has made, and is now making, numerous statements and representations in advertisements inserted in newspapers of interstate circulation and in other promotional material and by oral statements and representations of his salespersons with respect to his products and services.

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

Zig-Zag Sewing Machine Brand New 1973. Must be disposed of. Orig. price \$189. Thursday only \$48.88.

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Warehouse Sale at Liquidation Prices! Plus these 10 Items FREE! Comparative Retail Values \$498. However Our Price Without Trade In Is Only \$289.

'73 SINGER ZIG ZAGS Like new. 5-yr. parts & labor guaranteed. No obligation. Free home demonstration. \$38. Call Credit Manager, 9-9.

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 oral statements and representations by respondent's salespersons to prospective purchasers of respondent's products, respondent has represented, and is now representing, directly or by implication, that:

1. The zigzag sewing machines offered for \$48.88 had been sold, or openly and actively offered for sale, at a price of \$189 by the respondent for a reasonably substantial period of time in the recent, regular course of his business.

2. Respondent's sewing machines are being offered for sale at a price reduced from respondent's regular selling price, thereby affording savings to purchasers.

3. The advertised prices are available for only a limited period of time.

4. A bona fide offer is being made to sell the advertised Singer sewing machine at the price and on the terms and conditions stated in the advertisements.

5. Respondent's sewing machines are available at reduced prices because they have been repossessed by respondent or have been forfeited by a layaway purchaser.

6. Purchasers of the advertised Singer sewing machine receive a written guarantee from the Singer Company.

7. The sewing machine offered with "free" merchandise is being offered at its regular price, or less, and the "free" merchandise is not regularly included with the machine at the regular price.

PAR. 6. In truth and in fact:

1. The zigzag sewing machine offered by the respondent for \$48.88 had not been sold, or openly and actively offered for sale, at a price of \$189 by the respondent for a reasonably substantial period of time in the recent, regular course of his business.

2. Respondent's sewing machines are not being offered for sale at special or reduced prices and savings are not thereby afforded respondent's customers because of a reduction from respondent's regular selling prices. In fact, respondent does not have regular selling prices. The prices at which respondent's sewing machines are sold vary from customer-to-customer depending upon the resistance of the prospective purchaser.

3. Advertised prices are not available for only a limited period of time.

4. A bona fide offer is not being made to sell the advertised Singer sewing machine at the price and on the terms and conditions stated; but said offer is made for the purpose of obtaining leads as to persons interested in purchasing a sewing machine. After obtaining leads through responses to said advertisements, respondent or his salespersons call upon such persons but make no effort to sell the advertised sewing machines. Instead, they exhibit sewing machines which are in such poor condition as to be unusable or undesirable and disparage the

advertised product to discourage its purchase and attempt to sell, and frequently do sell, other sewing machines at a much higher price.

5. Respondent's sewing machines are not offered to purchasers at a reduction from respondent's regular selling price as a result of having been repossessed or forfeited by a layaway purchaser. In fact, respondent's sewing machines have no regular selling price. Prices are generally arrived at through negotiation between the buyer and seller.

6. Purchasers of the advertised Singer sewing machines do not receive a written guarantee from the Singer Company.

7. The merchandise offered "free" with the purchase of the sewing machine offered for \$279, or \$289, is regularly included in the purchase of the machine at that price. When the machine is sold without the ten "free" items it is sold at a price considerably less than \$279, or \$289.

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

PAR. 7. In the further course and conduct of his aforesaid business and in furtherance of a sales program for inducing the purchase of his sewing machines, respondent has engaged in the following additional unfair and deceptive act and practice.

Through the use of false, misleading and deceptive statements and representations as set forth in Paragraphs Four through Six hereof, respondent and his salespersons have induced members of the general public to purchase respondent's sewing machines at a cost of up to several hundred dollars each without allowing such persons adequate time to consider the offer and reflect upon the merits of the offer and the effect of the expense upon their financial situation.

PAR. 8. In the course and conduct of his aforesaid business, and at all times mentioned herein, respondent has been, and now is, in substantial competition, in commerce, with corporations, firms and individuals engaged in the sale of products of the same general kind and nature as those sold by respondent.

PAR. 9. The use by respondent 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 respondent's products by reason of said erroneous and mistaken belief.

PAR. 10. The aforesaid acts and practices of the respondent, as herein alleged, were, and are, all to the prejudice and injury of the public and of respondent's 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.

ORDER

It is ordered, That respondent Joseph Richard Horvath, an individual, trading and doing business as Sew Rite or under any other name or names, and respondent's 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 sewing machines, or any other product or service, in commerce, as "commerce" is defined in the Federal Trade Commission Act, shall forthwith cease and desist from:

1. Using the words "orig. price," or any other word or words of similar import or meaning but not specifically set forth herein, to refer to any price at which respondent has offered any product or service to the public, if such price is in excess of the price at which such product or service has been sold, or offered for sale in good faith, to the public, by the respondent, for a reasonably substantial period of time in the recent, regular course of his business and unless respondent's business records establish that said price is the price at which such product or service has been sold, or offered for sale in good faith, to the public, by the respondent, for a reasonably substantial period of time in the recent, regular course of his business.

2. Using the word "Sale," or any other word or words of similar import or meaning but not specifically set forth herein, to refer to any offering of a product or service for sale unless the price for such product or service being offered for sale constitutes a reduction, in an amount not so insignificant as to be meaningless, from the price at which such product or service has been sold, or offered for sale in good faith, to the public, by the respondent, for a reasonably substantial period of time in the recent, regular course of his business.

3. (a) Representing, in any manner, that by purchasing any product or service, customers are afforded savings amounting to the difference between respondent's stated price and respondent's former price, unless such product or service has been sold, or offered for sale in good faith, to the public, by the respondent, at the former price for a reasonably substantial period of time in the recent, regular course of his business.

(b) Representing, in any manner, that by purchasing any product or service, customers are afforded savings amounting to the difference between respondent's stated price and a compared price for said product or service in respondent's trade area, unless a substantial number of the principal retail outlets in respondent's trade area

regularly sell said product or service at the compared price, or a higher price.

(c) Representing, in any manner, that by purchasing any product or service, customers are afforded savings amounting to the difference between respondent's stated price and a compared value price for comparable products or services, unless substantial sales of products of like grade and quality or similar services are being made in respondent's trade area at the compared price, or a higher price, and unless respondent has in good faith conducted a market survey, or obtained a similar representative sample of prices, in his trade area which establishes the validity of said compared price and it is clearly and conspicuously disclosed that the comparison is with a product of like grade and quality or with a similar service.

4. Misrepresenting, in any manner, the savings afforded to purchasers of respondent's products or services or the prices charged for the same products or services or for products or services of like grade quality by any seller.

5. Making any representation, orally or in writing, directly or by implication, concerning any reduction in price for any of respondent's products or services, or concerning any possible saving available to purchasers of respondent's products or services, including, but not limited to, the use of the words "Sale," "Special," "Regularly," "Originally," "Value," "Save" or any other word or words of similar import and meaning but not specifically set forth herein, without clearly and conspicuously disclosing in close proximity to such representation:

(a) the make and model name or number of the product being offered;

(b) the cash price at which such product or service is being offered;

(c) the cash price at which such product or service has been sold, or offered for sale in good faith, to the public, by the respondent, for a reasonably substantial period of time in the recent, regular course of his business, when the comparison is being made with respondent's former price. When such price representation is in writing, the above disclosure shall be made in bold face type of a minimum size of 8 points.

6. Representing, orally or in writing, directly or by implication, that any offer to sell a product or service is limited or restricted as to time or is limited or restricted in any manner, unless the represented limitation or restriction is imposed and adhered to in good faith by the respondent.

7. Representing, orally or in writing, directly or by implication, that any product or service is offered for sale when such is not a bona fide offer to sell said product or service.

8. Advertising, or offering for sale, any product or service for the purpose of obtaining leads to potential purchasers of different products or services, unless the advertised, or offered, product or service is capable of adequately performing its intended function and respondent maintains an adequate and readily available stock of said product and is willing and able to perform said service.

9. Disparaging in any manner, or refusing to sell, any advertised product or service.

10. The use of any policy, sales plan or method of compensation for salespersons which has the effect, in any manner, of discouraging salespersons from selling, or has the effect of penalizing salespersons for selling, advertised products or services.

11. Using any advertisement, sales plan or procedure which involves the use of any false, misleading or deceptive statement, representation or illustration designed to obtain leads to potential purchasers of respondent's products or services.

12. Representing, orally or in writing, directly or by implication, that any product was left in layaway, was repossessed, or that it is being offered for the balance of the purchase price which was unpaid by a previous purchaser, unless the specific product in each instance was left in layaway, was repossessed or is offered for the balance of the unpaid purchase price, as represented.

13. Misrepresenting, in any manner, the status, kind, quality or price of any product or service being offered.

14. Representing, orally or in writing, directly or by implication, that respondent's products or services 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; and unless respondent promptly and fully performs all of his obligations directly or impliedly represented, under the terms of each such guarantee.

15. Representing, orally or in writing, directly or by implication, that any price is respondent's regular price for any product or service, unless such price is the price at which such product or service has been sold, or offered for sale in good faith, to the public, by the respondent, for a reasonably substantial period of time in the recent, regular course of his business, and not for the purpose of establishing fictitious higher prices upon which a deceptive comparison or a "free" or similar offer might be based.

16. Representing, orally or in writing, directly or by implication, that a purchaser of respondent's products or services will receive any "free" merchandise, service, gift, prize or award, unless all conditions, obligations, or other prerequisites to the receipt and retention of such

are clearly and conspicuously disclosed at the outset in close conjunction with the word "free" wherever it first appears in each advertisement or offer.

17. Representing, orally or in writing, directly or by implication, that any product or service is furnished "free" or at no cost to the purchaser of an advertised product or service when, in fact, the cost of such product or service is regularly included in the selling price of the advertised product or service.

18. Representing, orally or in writing, directly or by implication, that a "free" offer is being made in connection with the introduction of a new product or service offered for sale at a specified price unless the respondent expects, in good faith, to discontinue the offer after a limited time and commence selling such product or service separately at the same price at which it was sold with a "free" offer.

19. Representing, orally or in writing, directly or by implication, that a product or service is being offered "free" with the sale of a product or service which is usually sold at a price arrived at through bargaining, rather than at a regular price, or where there may be a regular price but where other material factors such as quantity, quality, or size are arrived at through bargaining.

20. Representing, orally or in writing, directly or by implication, that a "free" offer is available in a trade area for more than six (6) months in any twelve (12) month period. At least thirty (30) days shall elapse before another such "free" offer is made in the same trade area. No more than three (3) such "free" offers shall be made in the same trade area in any twelve (12) month period. In such period, respondent's sales of the product or service in the amount, size or quality promoted with the "free" offer in any trade area shall not exceed 50 percent of his total volume of sales of the product or service in the same amount, size or quality in that trade area.

21. Representing, orally or in writing, directly or by implication, that a product or service is being offered as a "gift," as a "bonus" or "without charge," or by other words or terms which tend to convey the impression to the consuming public that the product or service is free, when the use of the term "free" in relation thereto is prohibited by the provisions of this order.

22. (a) Contracting for any sale, whether in the form of trade acceptance, conditional sales contract, promissory note, or otherwise, which shall become binding on the buyer prior to midnight of the third day, excluding Sundays and legal holidays, after the date of execution.

(b) Failing to furnish each buyer, at the time he signs the sales contract or otherwise agrees to buy consumer goods or services, a fully completed copy of the sales contract, or a fully completed receipt in the

event of a cash sale, 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 which includes, 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 FOR AN EXPLANATION OF THIS RIGHT.

(c) Failing to furnish each buyer, at the time he signs the sales contract or otherwise agrees to buy consumer goods or services, a completed form in duplicate, captioned "NOTICE OF CANCELLATION," which shall be attached to the contract or receipt and shall be easily detachable therefrom, and which shall contain in 10 point bold face type the following information and statements in the same language, *e.g.*, Spanish, as that used in the sales 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, AND 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 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)

(d) 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.

(e) Including in any sales contract or receipt any confession of judgment or any waiver of the rights to which the buyer is entitled under this provision including, specifically, his right to cancel the sale in accordance with this provision.

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

(g) Misrepresenting, in any manner, the buyer's right to cancel.

(h) Failing, or refusing, to honor any valid notice of cancellation by a buyer and failing, 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.

(i) 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.

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

Provided, however, That nothing contained in this provision shall relieve respondent of any additional obligation respecting contracts required by federal law or the law of the State in which the contract is made. When such obligations are inconsistent with this provision respondent may apply to the Commission for relief from this provision with respect to contracts executed in the state in which such different obligations are required. The Commission, upon showing, shall make such modifications as may be warranted in the premises.

It is further ordered, That respondent shall forthwith cease and desist from:

(a) Failing to retain, for a period of not less than two (2) years from the date of their last use, a copy of each advertisement and item of promotional material, including, but not limited to, each newspaper advertisement, radio or television script, direct mail advertisement and product brochure, used for the purpose of obtaining leads to pros-

pective purchasers of respondent's products and services or in promoting the sale of respondent's products and services.

(b) Failing to retain, for a period of not less than two (2) years following each price reduction or savings claim, including, but not limited to, each claim of the types described in Paragraphs 1 through 8 of this order, adequate records to substantiate each such claim.

(c) Failing to produce, for the purpose of examination and copying by representatives of the Federal Trade Commission, those records required to be retained by this order.

It is further ordered, That respondent shall forthwith deliver a copy of this order to cease and desist, and a copy of the Commission's news release setting forth the terms of the order, to each advertising agency and advertising medium, such as newspaper publishing company, radio station or television station, presently utilized in the course of his business, and that respondent shall immediately upon opening an account deliver a copy of this order and such news release to any such agency or medium with which he subsequently opens an account.

It is further ordered, That respondent shall forthwith deliver a copy of this order to cease and desist to each of his agents, representatives and employees engaged in the offering for sale or sale of respondent's products or services, in the consummation of any extension of consumer credit or in any aspect of the creation, preparation or placing of respondent's advertisements and that respondent shall deliver a copy of this order to each such person whom he subsequently employs, immediately upon employing such person, and that respondent shall secure from each such person a signed statement acknowledging receipt of a copy of this order.

It is further ordered, That respondent shall promptly notify the Commission of the discontinuance of his present business or employment and of his affiliation with a new business or employment. Such notice shall include respondent's new business address and a statement as to the nature of the new business or employment in which he is engaged as well as a description of his new duties and responsibilities.

FINAL ORDER

The administrative law judge filed his initial decision in this matter on Mar. 31, 1975, finding respondent to have engaged in the acts and practices as alleged in the complaint and entering a cease and desist order against respondent. A copy of the initial decision and order was served on respondent on May 7, 1975. No appeal was taken from the initial decision.

The Commission having now determined that the matter should not be placed on its own docket for review, and that the initial decision

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should become effective as provided in Section 3.51(a) of the Commission's Rules of Practice,

It is ordered, That the initial decision and order contained therein shall become effective on the date of issuance of this order.

It is further ordered, That respondent shall, within sixty (60) days after service of this order upon him, file with the Commission a report in writing, signed by such respondent, setting forth in detail the