

IN THE MATTER OF
MELMAR INDUSTRIES, INC., ET AL.

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

Docket C-2719. Complaint, Aug. 22, 1975-Decision, Aug. 22, 1975

Consent order requiring four affiliated swimming pool firms located in Cherry Hill, N.J., and Philadelphia, Pa., among other things to cease using bait and switch tactics, misleading pricing claims and other deceptive selling practices; and to cease violating the Truth in Lending Act by failing to disclose to consumers, in connection with the extension of consumer credit, such information as required by Regulation Z of the said Act.

Appearances

For the Commission: *John A. Crowley and Phyllis L. Kaye.*

For the respondents: *Joseph H. Weiss, Fell, Spalding, Goff & Rubin,*
Philadelphia, Pa. and *Timothy J. Waters, Peabody, Rivlin, Lambert &*
Dennison, Wash., D.C.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Truth in Lending Act, and the implementing regulation promulgated thereunder, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Melmar Industries, Inc., a New Jersey corporation, Melmar Industries, Inc., a Pennsylvania corporation, Prestige Industries Incorporated, a corporation, Gold Bond Industries, Inc., a corporation, and Marc Wolf, individually and as an officer of said corporations, 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 Melmar Industries, Inc., a New Jersey corporation, is a corporation organized, existing and doing business under and by virtue of the laws of the State of New Jersey, with its office and principal place of business located at 1 Martin Ave., Cherry Hill, N.J.

Respondent Melmar Industries, Inc., a Pennsylvania corporation, is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania with its office and principal place of business located at 2555 Welsh Rd., Philadelphia, Pa.

Respondent Prestige Industries Incorporated is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania with an office at 396 Rodi Rd., Pittsburgh, Pa. and its general office at 1 Martin Ave., Cherry Hill, N.J.

Respondent Gold Bond Industries, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania with an office at 1 Uam Square, Springdale, Pa. and its main office and principal place of business located at 1 Martin Ave., Cherry Hill, N.J.

Respondent Marc Wolf, 1216 Cardinal Lake Dr., Cherry Hill, N.J., is an individual and is the president of Melmar Industries, Inc., a New Jersey corporation; is the secretary-treasurer of Melmar Industries, Inc., a Pennsylvania corporation; is the president of Prestige Industries Incorporated, a corporation; and is vice president of Gold Bond Industries, Inc., a corporation. Respondent Marc Wolf is responsible for formulating, controlling and directing the policies, acts and practices of the corporate respondents.

PAR. 2. Respondents are now and have been, for some time last past, engaged in the advertising, offering for sale, sale and distribution of

swimming pools and other merchandise and home improvement products. In the course and conduct of their business as aforesaid, respondents negotiate to third parties conditional sales contracts, promissory notes or other instruments of indebtedness executed in connection with credit purchase agreements.

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 cause advertisements designed to secure leads to potential purchasers of swimming pools and other merchandise and home improvement products to be placed in various newspapers and other publications. The respondents are responsible for the content of said advertisements.

PAR. 4. In the further course and conduct of their business as aforesaid, respondents sell and distribute the aforementioned swimming pools and other merchandise and home improvement products by causing said swimming pools and other merchandise and home improvement products to be shipped from the places of business of their various suppliers in the United States to purchasers at retail in States other than the States from which such shipments originate.

There is now, and has been, at all times mentioned herein, a substantial and continuous course of trade in said swimming pools and other merchandise and home improvement products in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 5. In the course and conduct of their business, and for the purpose of inducing the purchase of their products, respondents have made statements and representations with respect thereto in advertisements inserted in newspapers of general interstate circulation, of which the following are typical and illustrative, but not all inclusive:

INTRODUCTORY

OFFER!

ALUMINUM POOLS

CONVENIENT CREDIT TERMS ARRANGED

21' x 21'
OUTSIDE DIMENSION
16' x 16' SWIM AREA
4' CONSTANT

29' x 21'
OUTSIDE DIMENSION

COMPLETELY INSTALLED
\$499

WOOD POOL SAME
AS ABOVE \$444

COMPLETELY INSTALLED
\$699

Complaint

86 F.T.C.

24' x 16' SWIM AREA
4' CONSTANT

WOOD POOL SAME
AS ABOVE \$644

3

Pre Season Offer

days

Only

Swimming Pools!

Sun. - Mon.

Tuesday

DeLuxe Aluminum Family Pool

All Pools Include:

Filter and Pump

Pool Ladder

Steel Bracing

Sun Decks

Vacuum Cleaner

Set-In Vinyl Liner

Safety Fence and Stairs

Huge Family Size

NO MONEY DOWN

29' x 21' Outside Dimensions

24' x 16' x 4'

Low Budget

Swim Area

Terms Arranged

Your Choice

\$400

No Extras - Delivered and Completely Installed

Pick a Pool

Pick a Prize

Huge Family Size

29' x 21' Outside Dimensions

DeLuxe Wood Family Pool

Free Portable TV

Yours Free With Your Purchase

No Money Down

Low, Low Terms

Completely Installed \$400

DeLuxe Aluminum Family Pool Free Huge 21" Cabana Deck With Your
Purchase

No Money Down Low, Low Terms Completely Installed \$400

New DuPont Tedlar Family Pool Free Complete Stock of Summer Furniture

No Money Down Low, Low Terms Completely Installed \$400

Guaranteed! Not Just A Word, But Our Way Of Doing Business

Guaranteed 72-hour delivery upon office receipt of your order

Wanted!

5 Residential Home Sites to display Our New Advanced Swimming Pool

Giant Family Size

27' x 16' x 6' Outside Dimensions

21' x 15' x 4' Swim Area

\$666

Completely Installed

PAR. 6. By and through the use of the aforesaid statements and representations and others of similar import and meaning, but not specifically set out herein, separately and in connection with oral statements and representations of their salesmen or representatives, respondents have represented, and are now representing, directly or by implication, that:

1. The offers set out in their advertisements are bona fide offers to sell swimming pools of the kind therein described and on the terms and conditions stated.

2. A prospective customer is able to obtain a "free" portable television set, or a "free" set of summer furniture with the purchase of an advertised pool.

3. The prices shown in advertisements are "Introductory" or "Pre-Season" prices and that said prices are offered only on an introductory or pre-season basis or are effective during a limited period of time and said reduced prices will be returned to respondents' pre-sale bona fide offering price or to some other substantially higher amount immediately after the sale has terminated.

4. The advertised pools are unconditionally "Guaranteed."

5. The advertised pool will be delivered within 72 hours of receipt of the customer's order.

6. Pools are sold with "No Money Down."

7. After the installation of respondents' swimming pools is completed, the purchasers' pools will be used for demonstration and advertising purposes by respondents, and, as a result of allowing or agreeing to allow their pools to be used as models, purchasers will be granted reduced prices or will receive allowances, discounts, commissions or referral fees.

PAR. 7. In truth and in fact:

1. The offers set out in respondents' advertisements are not bona fide offers to sell swimming pools of the kind therein described at the prices or on the terms and conditions stated but are made for the purpose of obtaining leads to persons interested in the purchase thereof. After obtaining such leads, the individually named respondent or respondents' salesmen or representatives call upon such persons but make no effort to sell the advertised products at the advertised prices but instead disparage the advertised products in such a manner as to discourage their purchase and attempt to sell and frequently do sell different and more expensive swimming pool products.

2. A prospective purchaser is unable, in a substantial number of instances, to obtain a "free" portable television set, a "free" cabana deck, or a "free" set of summer furniture since the receipt of the aforesaid "free" item is conditioned on the purchase of an advertised

pool which the prospective purchaser is generally unable to purchase for the aforesaid reasons. Additionally, where the advertisement offers a "free" item conditioned on the purchase of any pool without further specification, said "free" item is not, in a substantial number of instances, provided to said purchaser.

3. Respondents' advertised offers of swimming pools at the prices stated are not made only for a limited period of time. Said products are advertised regularly at the represented price and on the terms and conditions therein stated. Also, the swimming pools advertised and sold are not being offered for sale at special or reduced prices, and savings are not thereby afforded to their purchasers because of reductions from respondents' regular selling prices. In fact, respondents do not have regular selling prices, but the prices at which respondents' products are sold vary from purchaser to purchaser depending upon the resistance of the particular purchaser.

4. Respondents' swimming pools are not warranted in every respect without conditions or limitations for a period of ten years or any other period of time. Such warranty or guarantee as may be provided by respondents is subject to numerous terms, conditions and limitations with respect to the duration of the warranty or guarantee and fails to set forth the nature and extent of the warranty or guarantee, the identity of the warrantor or guarantor and the manner in which the warrantor or guarantor will perform thereunder.

5. In a substantial number of instances, the advertised pools are not delivered to the customer within 72 hours of receipt of the customer's order.

6. In a substantial number of instances, the advertised pools are not sold on a "No Money Down" basis.

7. After the installation of respondents' swimming pools are completed, the pools of respondents' purchasers will not, in a substantial number of instances, be used for demonstration or advertising purposes by respondents and as a result of allowing, or agreeing to allow their pools to be used as models, purchasers are not granted reduced prices, nor do they receive allowances, discounts, commission or referral fees.

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

PAR. 8. In the further course and conduct of their business, and in furtherance of a sales program to induce the purchase of their swimming pools and other merchandise and home improvement products, respondents and their salesmen or representatives have

engaged in the following additional unfair, false, misleading and deceptive acts and practices:

In a substantial number of instances, through the use of the false, misleading and deceptive statements, representations and practices set forth in Paragraphs Five through Seven, above, respondents or their representatives have been able to induce customers into signing a contract upon initial contact without giving the customer sufficient time to carefully consider the purchase and consequences thereof.

PAR. 9. In many instances, in the usual course of their business, respondents sell and transfer said customers' contracts, procured by the aforesaid false, misleading and deceptive means, to various third parties including banks. In any subsequent action to collect monies from said customers pursuant to said contracts, certain valid legal defenses and claims which said customers may have against respondents upon said contracts are unavailable as against said third parties.

PAR. 10. In the course and conduct of their business, and at all times mentioned herein, respondents have been in substantial competition, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, with corporations, firms and individuals engaged in the sale of swimming pools and other merchandise and home improvement products of the same general kind and nature as sold by respondents.

PAR. 11. 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 such statements were and are true and into the purchase of substantial quantities of respondents' swimming pools and other merchandise and home improvement products by reason of said erroneous and mistaken belief.

PAR. 12. The aforesaid acts and practices of the respondents 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 or affecting commerce, and unfair and deceptive acts and practices in or affecting 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. 13. In the course and conduct of their business as aforesaid

respondents have caused, and are now causing, advertisements, as "advertisement" is defined in Section 226.2(b) of Regulation Z, the implementing regulation of the Truth in Lending Act duly promulgated by the Board of Governors of the Federal Reserve System, to be placed in various media for the purposes of aiding, promoting or assisting, directly or indirectly, in the credit sales, as "credit sale" is defined in Section 226.2(n) of Regulation Z, of respondents' swimming pools and other merchandise and home improvement products. Said advertisements make use of terms such as "No Money Down, Low, Low Terms" without stating all of the following items, prescribed under Section 226.8 of Regulation Z, in the manner and form required by Section 226.10(d)(2) thereof:

1. The cash price or the amount of the loan, as applicable;
2. The amount of the downpayment required or that no downpayment is required, as applicable;
3. The number, amount and due dates or period of payments scheduled to repay the indebtedness if the credit is extended;
4. The amount of the finance charge expressed as an annual percentage rate; and
5. The deferred payment price.

PAR. 14. In the further course of their business as aforesaid and in order to facilitate the sale of their swimming pools and other merchandise and home improvement products, respondents, or any of them, regularly extend, and for some time last past have regularly extended consumer credit as "consumer credit" is defined in Section 226.2(k) of Regulation Z.

PAR. 15. Subsequent to July 1, 1969, in the ordinary course of their business as aforesaid, and in connection with their credit sales, as "credit sale" is defined in Section 226.2(n) of Regulation Z, respondents have caused and are causing their customers to enter into retail installment contracts, hereinafter referred to as the contract. On the contract respondents provide certain consumer credit cost information. Respondents do not provide any other consumer credit information.

PAR. 16. By and through the use of the contract referred to in Paragraph Fifteen, respondents:

1. In some instances fail to employ the term "annual percentage rate" as required by Section 226.8(b)(2) of Regulation Z.
2. Fail to disclose the terms "annual percentage rate" and "finance charge" more conspicuously than other required terminology, as required by Section 226.6(a) of Regulation Z.
3. Include the amount of the finance charge in the computation of the amount financed contrary to the requirements of Section 226.8(c)(7) of Regulation Z.

4. In making the charge for credit life insurance optional to the customer, fail to include such charge in the amount financed, as required by Sections 226.4(a)(5) and 226.8(c)(4) of Regulation Z.

5. Fail to disclose the annual percentage rate with an accuracy to the nearest quarter of one percent, as required by Section 226.5(b)(1) of Regulation Z.

6. Fail to use the term "cash down payment" when the down payment is in money, as required by Section 226.8(c)(2) of Regulation Z.

7. Fail to use the term "unpaid balance of cash price" to describe the difference between the cash price and the cash down payment, as required by Section 226.8(c)(3) of Regulation Z.

8. Fail to identify the property in which a security interest is obtained and held, as required by Section 226.8(b)(5) of Regulation Z.

9. Fail to notify the buyer of said buyer's right to rescind the contract, as provided for by Section 226.9(a) of Regulation Z.

10. Fail to provide each buyer who has the right to rescind with two copies of the notice prescribed by Section 226.9(b) of Regulation Z, as required by that Section.

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

DECISION AND ORDER

The Commission having heretofore determined to issue its complaint charging the respondents named in the caption hereto with violation of the Federal Trade Commission Act, and the respondents having been served with notice of said determination and with a copy of the complaint the Commission intended to issue, together with a proposed form of order; 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 complaint to issue herein, 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 provisionally 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(b) of its rules, the Commission hereby issues its complaint in the form contemplated by said agreement, makes the following jurisdictional findings, and enters the following order:

1. Respondent Melmar Industries, Inc., a New Jersey corporation, is a corporation organized, existing and doing business under and by virtue of the laws of the State of New Jersey, with its office and principal place of business located at 1 Martin Ave., Cherry Hill, N.J.

Respondent Melmar Industries, Inc., a Pennsylvania corporation, is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania with its office and principal place of business located at 2555 Welsh Rd., Philadelphia, Pa.

Respondent Prestige Industries Incorporated is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania with an office at 396 Rodi Rd., Pittsburgh, Pa. and its general office at 1 Martin Ave., Cherry Hill, N.J.

Respondent Gold Bond Industries, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania with an office at 1 Uam Square, Springdale, Pa. and its main office and principal place of business located at 1 Martin Ave., Cherry Hill, N.J.

Respondent Marc Wolf, 1216 Cardinal Lake Dr., Cherry Hill, N.J., is an individual and is the president of Melmar Industries, Inc., a New Jersey corporation; is the secretary-treasurer of Melmar Industries, Inc., a Pennsylvania corporation; is the president of Prestige Industries Incorporated, a corporation; and is vice president of Gold Bond Industries, Inc., a corporation. Respondent Marc Wolf is responsible for formulating, controlling and directing the policies, acts and practices of the corporate respondents.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

It is ordered, That respondents Melmar Industries, Inc., a New Jersey corporation, Melmar Industries, Inc., a Pennsylvania corporation, Prestige Industries Incorporated, a corporation, Gold Bond Industries, Inc., a corporation, their successors and assigns, and their officers, and Marc Wolf, individually and as an officer of the aforesaid corporations, and any subsidiary or affiliated company, and respondents' agents, representatives and employees, directly or through any corporation, subsidiary, division or any other device, in connection with the advertising, offering for sale, sale or distribution of swimming pools, swimming pool accessories or any other home improvement

products, at retail, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Using any advertising, sales plan, scheme or device wherein false, misleading or deceptive statements or representations are made in order to obtain leads or prospects for the purchase of swimming pools, swimming pool accessories or any other home improvement products at retail from respondents or any of them.

2. Making representations purporting to offer swimming pools, swimming pool accessories or any other home improvement products for sale at retail when the purpose of the representation is not to sell the advertised products but to obtain leads or prospects for the sale of other such products at higher prices.

3. Disparaging in any manner, or refusing to sell any swimming pool, swimming pool accessory or any other home improvement product which is offered for sale at retail.

4. Representing, directly or by implication, that any swimming pool, swimming pool accessory or any other home improvement product is offered for sale when such offer is not a bona fide offer to sell such product at retail.

5. Representing, directly or by implication, that the price for any swimming pool, swimming pool accessory or any other home improvement product sold by respondents at retail is a special or sale price, when such price does not constitute a significant reduction from an established selling price at which such product has been sold in substantial quantities by respondents in the recent, regular course of their retail business.

- 6(a) Representing that by purchasing any of said swimming pools, swimming pool accessories or other home improvement products, customers are afforded savings amounting to the difference between respondents' stated price and respondents' former price unless such swimming pools, swimming pool accessories or other home improvement products have been sold or offered for sale at retail in good faith at the former price by respondents for a reasonably substantial period of time in the recent, regular course of business.

- (b) Representing that by purchasing any of said swimming pools, swimming pool accessories or other home improvement products, customers are afforded savings amounting to the difference between respondents' stated price and a compared price for said swimming pools, swimming pool accessories or other home improvement products at retail in respondents' trade area unless a substantial number of the principal retail outlets in the trade area regularly sell said swimming

pools, swimming pool accessories or other home improvement products at the compared price or some higher price.

(c) Representing that by purchasing any of said swimming pools, swimming pool accessories or other home improvement products, at retail, customers are afforded savings amounting to the difference between respondents' stated price and a compared value price for comparable products unless substantial sales of such products of like grade and quality are being made at retail in the trade area at the compared price or a higher price and unless respondents have in good faith conducted a market survey or obtained representative samples of prices in their trade area which establishes the validity of said compared price and it is clearly and conspicuously disclosed that the comparison is with swimming pools, swimming pool accessories or other home improvement products of like grade and quality.

7. Misrepresenting, in any manner, the amount of savings available to purchasers or prospective purchasers of swimming pools, swimming pool accessories or any other home improvement products sold at retail by respondents.

8. Failing to maintain adequate records (a) which disclose the facts upon which any savings claim, including former pricing claims and comparative value claims and similar representations of the type described in Paragraphs 5, 6(a)-(c) and 7 of this order are based, and (b) from which the validity of any savings claim, including former pricing claims and comparative value claims and similar representations of the type described in paragraphs 5, 6(a)-(c) and 7 of this order may be determined.

9. Representing, directly or by implication, that a purchaser of products sold by respondents at retail will receive a "free" television set, pool furniture or any other prize or award unless all conditions, obligations or other prerequisites to the receipt of such television set, pool furniture or other prize or award are clearly and conspicuously disclosed.

10. Representing, directly or by implication, that any swimming pool, swimming pool accessory or any other home improvement product is guaranteed, unless the nature and extent of the guarantee, the identity of the guarantor, and the manner in which the guarantor will perform thereunder are clearly and conspicuously disclosed.

11. Failing to incorporate the following statement on the face of all sales contracts, all notes or other instruments of indebtedness executed by or on behalf of respondents' customers with such conspicuousness and clarity as is likely to be read and understood by the purchaser:

NOTICE

If you are obtaining credit in connection with this purchase, you will be required to sign a promissory note, a sales contract or other instrument of indebtedness which may be purchased from the seller by a bank, finance company or any other third party. If such is the case, you will be required to make your payments to someone other than the seller. You should be aware that if this happens you may have to pay the note, contract or other instrument of indebtedness in full to its new owner even if your purchase contract is not fulfilled.

12. Misrepresenting, directly or indirectly, that the swimming pools of any of respondents' purchasers or prospective purchasers will be used for any type of advertising or demonstration purpose or as a model pool or that as a result of such use, respondents' purchasers will be granted reduced prices or will receive discounts, referral fees or allowances of any type.

13. Contracting for any retail 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.

14. Failing to furnish the buyer 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.

15. Failing to furnish each buyer, 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)

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 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)

Provided, however, That the "Notice of Cancellation" required by this paragraph need not be furnished in those transactions in which respondents have timely furnished the buyer with the notice of the right of rescission required by Paragraph 11 of Part II of this order.

16. 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.

17. Including in any sales contract or receipt any 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.

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 10 business days after 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.

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

Provided, however, That nothing contained in this order shall relieve respondents of any additional obligations respecting contracts required by federal law or the law of the State in which the contract is made. When such obligations are inconsistent, respondents can 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.

PART II

It is further ordered, That respondents Melmar Industries, Inc., a New Jersey corporation, Melmar Industries, Inc., a Pennsylvania corporation, Prestige Industries Incorporated, a corporation, Gold Bond Industries, Inc., a corporation, their successors and assigns, and their officers, and Marc Wolf, individually and as an officer of the aforesaid corporations, and any subsidiary or affiliated company, and respondents' agents, representatives and employees, directly or through any corporation, subsidiary, division or any other device, in connection with the arrangement, extension or advertisement of consumer credit in connection with the retail sale of swimming pools, swimming pool accessories or any other home improvement products, as "advertisement" and "consumer credit" are defined in Section 226.2(b) and Section 226.2(k), respectively, of Regulation Z (12 CFR §226) of the Truth in Lending Act (15 U.S.C. §1601, *et seq.*), do forthwith cease and desist from:

1. Causing to be disseminated to the public in any manner whatsoever, any advertisement, for the purposes of aiding, promoting or assisting, directly or indirectly, any extension of consumer credit unless such advertisement states all of the following items prescribed under Section 226.8 of Regulation Z, in the manner and form required by Section 226.10(d)(2) of Regulation Z:

- (a) The cash price or the amount of the loan, as applicable;
 - (b) The amount of the downpayment required or that no downpayment is required, as applicable;
 - (c) The number, amount, and due dates or period of payments scheduled to repay the indebtedness if the credit is extended;
 - (d) The amount of the finance charge expressed as an annual percentage rate; and
 - (e) The deferred payment price.
2. Failing to employ the term "annual percentage rate" as required by Section 226.8(b)(2) of Regulation Z.
 3. Failing to disclose the terms "annual percentage rate" and "finance charge" more conspicuously than other required terminology, as required by Section 226.6(a) of Regulation Z.
 4. Including the amount of the finance charge in the computation of the amount financed, contrary to the requirements of Section 226.8(c)(7) of Regulation Z.
 5. Failing to include the charge for credit life insurance, when not required to be placed within the finance charge, within the amount financed, as required by Sections 226.4(a)(5) and 226.8(c)(4) of Regulation Z.
 6. Failing to disclose the annual percentage rate with an accuracy to the nearest quarter of one percent, as required by Section 226.5(b)(1) of Regulation Z.
 7. Failing to employ the term "cash downpayment" to describe the downpayment in money, as required by Section 226.8(c)(2) of Regulation Z.
 8. Failing to employ the term "unpaid balance of cash price" to describe the difference between the cash price and the cash downpayment, as required by Section 226.8(c)(3) of Regulation Z.
 9. Failing to make a clear identification of the property in which a security interest is obtained and held as required by Section 226.8(b)(5) of Regulation Z.
 10. Failing to notify the buyer of said buyer's right to rescind the contract, as provided for by Section 226.9 of Regulation Z.
 11. Failing to provide each buyer who has the right to rescind with two copies of the notice prescribed by Section 226.9(b) of Regulation Z, as required by that Section.
 12. Failing, in any consumer credit transaction or advertisement, to make all the disclosures, determined in accordance with Sections 226.4 and 226.5 of Regulation Z, at the time and in the manner, form and amount required by Sections 226.6, 226.7, 226.8, 226.9 and 226.10 of Regulation Z.

PART III

It is further ordered, That respondents distribute a copy of this order to all operating divisions of said corporations and also distribute a copy of this order to all personnel, agents or representatives concerned with the promotion, sale and distribution of swimming pools, swimming pool accessories or any other home improvement products at retail and secure from each such 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 respondents, or any of them, 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 corporations which may affect compliance obligations arising out of this order.

It is further ordered, That the individual respondent named herein 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 current business address and a statement as to the nature of the business or employment in which he is engaged as well as a description of his 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.
