

IN THE MATTER OF

CIRCULATION BUILDERS, INC., T/A PUBLISHERS
SERVICE COMPANY OF CALIFORNIA, ET AL.CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION ACT*Docket 9004. Complaint, Jan. 7, 1975—Decision, Jan. 14, 1976*

Consent order requiring a Sausalito, Calif., company engaged in door-to-door sales of books and periodicals, among other things to cease misrepresenting and failing to disclose material facts in soliciting people for employment as sales agents; failing to obtain all required licenses or other permits prior to doing business in any jurisdiction; misrepresenting and failing to disclose material facts in selling subscriptions for magazines, books or other publications which respondents have no authority to sell or which respondents cannot cause to be delivered. Respondents are further required to make full refunds to all consumers who have dealt with them since Jan. 1, 1974.

Appearances

For the Commission: *Ralph E. Stone* and *Paul D. Hodge*.

For the respondents: *Stephen M. Koolpe*, Mill Valley, Calif.

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 Circulation Builders, Inc., a corporation, doing business as Publishers Service Company of California and Harold J. Gutknecht and Gerald Gutknecht, individually and as officers of said corporation, hereinafter sometimes referred to as respondents, have violated the 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 Circulation Builders, Inc., doing business as Publishers Service Company of California, is a corporation, organized, existing and doing business under and by virtue of the laws of the State of California, with its principal office and place of business located at 691 Bridgeway, Sausalito, California.

Respondent Gerald Gutknecht is an individual and an officer of the corporate respondent. He formulates, directs and controls the acts and practices of the corporate respondent including the acts and practices hereinafter set forth. His address is the same as that of the corporate respondent.

Respondent Harold J. Gutknecht is an individual and was an officer of the corporate respondent. He formulated, directed and controlled the acts and practices of the corporate respondent including the acts and practices hereinafter set forth. His address is 689 Bridgeway, Sausalito, California.

PAR. 2. Respondents are now, and for some time last past have been engaged in the sale of magazine subscriptions and other publications to the purchasing public by either of two methods which are commonly referred to as "cash subscription" and "two-payment."

Respondents enter into business arrangements with certain magazine subscription clearing companies, publishers or distributors of magazines and other publications whereby the magazine subscription clearing companies, publishers or distributors agree to accept and fill orders for designated magazines or other publications sold by respondents. The magazine subscription clearing companies, publishers or distributors generally require that the magazines or other publications be sold for a designated amount and that respondents forward an agreed upon amount to the magazine subscription clearing companies, publishers or distributors thereof.

Pursuant to such arrangements the respondents are now, and for some time last past have been engaged in the solicitation and selling of magazine subscriptions to the purchasing public.

PAR. 3. In the course and conduct of their business of selling magazine subscriptions pursuant to subscription contracts, as aforesaid, respondents have entered into contractual arrangements with magazine subscription clearing companies, publishers, or distributors of magazines whereby respondents are authorized to sell certain magazine subscriptions at designated selling prices and to pay designated amounts to said magazine subscription clearing companies, publishers, or distributors as payment for said subscriptions. Respondents are thereby given authority to sell subscriptions to some but not all magazines and other publications.

PAR. 4. In the course and conduct of their business, as aforesaid, respondents enter, and have entered, into agreements with individuals known as "crew managers or chiefs," herein "crew-chiefs," who in turn employ or hire "sales agents," "solicitors," or other representatives to sell said magazines.

Acting through their said crew chiefs and solicitors, respondents place into operation and, through various direct and indirect means and devices, control, direct, supervise, recommend and otherwise implement sale methods whereby members of the general public are contacted by door-to-door solicitations, and by means of statements, representations, acts and practices as hereinafter set forth, are induced

to sign subscription contracts with respondents which provide for the purchase of magazines or other publications and payment therefore usually on a cash or two-payment basis.

Respondents also provide crew chiefs with credentials, sales contract forms, magazine lists and other printed materials some of which bear the name and address of the corporate respondents. Said printed materials are placed in the hands of respondents' sales solicitors for use in the solicitation of magazine subscriptions.

The subscription contracts, when signed by the subscriber, are thereafter returned by the sales solicitor and the crew chief to the respondents who place subscription orders with the appropriate magazine subscription clearing company, publisher and distributor for magazines and other publications respondents are authorized to sell.

In the manner aforesaid, respondents, directly or indirectly, through said crew chiefs control, furnish the means, instrumentalities, services and facilities for, condone, approve and accept the pecuniary benefits flowing from the acts, practices and policies hereinafter set forth, of said crew chiefs and sales solicitors, hereinafter collectively referred to as respondents' representatives or solicitors.

PAR. 5. In the course and conduct of their business and in the manner aforesaid, respondents through their representatives or solicitors, who travel from one area to another, solicit subscriptions for magazines in various States of the United States. Respondents transmit and receive in commerce the aforementioned printed materials used in the solicitation and sale of magazine subscriptions. The subscription contracts and money are sent by said representatives or solicitors from various States to respondents' place of business in the State of California and then forwarded by respondents to various magazine subscription clearing companies, publishers or distributors, many of whom are located in States other than the State of California. Respondents thereby maintain, and at all times mentioned herein have maintained, a substantial course of trade in the sale of magazine subscriptions in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 6. Respondents, in the course and conduct of their business as aforesaid, have disseminated, and now disseminate or cause to be disseminated, classified advertisements in newspapers of general and interstate circulation and in newspapers throughout the United States, and have made statements and representations respecting pay and working conditions, designed and intended to induce individuals to apply as representatives or solicitors to sell magazine subscriptions on the behalf of respondents.

Among and typical of such statements but not all inclusive thereof, are the following:

ATTENTION, GALS - TRAVEL

HAVE OPENING FOR SEVERAL NEAT PERSONS OVER 17 TO PLACE IN NATIONAL TRAVEL PROGRAM IN PUBLISHING COMPANY. NO EXPERIENCE OR EDUCATIONAL REQUIREMENTS. ALL EXPENSES PAID DURING TRAINING PROGRAM. TRANSPORTATION FURNISHED. CASUAL CONDITIONS AND HIGH PAY. MUST BE ABLE TO LEAVE AT ONCE FOR TRAVEL THROUGHOUT THE CONTINENTAL U. S. A., HAWAII AND PUERTO RICO. FOR INTERVIEW, APPLY TO MR. SANCHO, DOWNTOWN HOLIDAY INN, 10:00 A.M. UNTIL 5:00 P.M. FRIDAY ONLY, OR CALL 422-4111.

In the aforesaid manner, the respondents have represented, and are now representing, directly or by implication, that:

1. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents will travel on a planned itinerary to various large cities and resort areas throughout the United States and its territories.

2. Respondents will pay the expenses of persons who answer respondents' advertisements and who become representatives or solicitors for respondents.

3. All persons who answer respondents' advertisements and who become representatives or solicitors for respondents have the potentiality and reasonable expectancy of receiving large profits or earnings.

4. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents will be working for a publishing company.

PAR. 7. In truth and in fact:

1. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents do not travel on a planned itinerary to various large cities and resort areas throughout the United States and its territories.

2. Respondents do not pay the expenses of persons who answer respondents' advertisements and who become representatives or solicitors for respondents.

3. All persons who answer respondents' advertisements and who become representatives or solicitors for respondents do not have the potentiality and reasonable expectancy of receiving large profits or earnings.

4. Persons who answer respondents' advertisements and who become representatives or solicitors for respondents will not be working for a publishing company.

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

PAR. 8. In the course and conduct of their aforesaid business, and for the purpose of inducing the purchase of their magazine subscriptions, respondents and respondents' representatives or solicitors have represented, and now represent, directly or by implication, that:

1. Respondents' representatives or solicitors are authorized to sell subscriptions for and are able to deliver or cause the delivery of all magazines for which they sell subscriptions and accept payments.

2. Respondents' representatives or solicitors are participants in a "contest" working for prizes and awards and are not solicitors working for money compensation.

3. Respondents' representatives or solicitors are employed by or for the benefit of a charitable or non-profit organization.

4. Respondents' representatives or solicitors are college students working their way through school.

5. Respondents' representatives or solicitors are "bonded" and that such "bonding" insures their honesty and integrity.

6. Respondent has a legal arrangement with an independent third party which insures the placement and fulfillment of each and every magazine subscription order.

7. Respondents guarantee the delivery of magazines for which they sell subscriptions and accept payments.

8. The money paid by the subscriber to the respondents' representative or solicitor at the time of the sale is the total cost of the subscription.

PAR. 9. In truth and in fact:

1. Respondents are not authorized to sell subscriptions for and are not able to deliver or to cause the delivery of all magazines for which their representatives or solicitors sell subscriptions and accept payments. In many instances, respondents' representatives or solicitors sell subscriptions for magazines which respondents are not authorized by the publisher or distributor thereof to sell, and consequently, respondents are unable to deliver or to cause the delivery of these magazines, for which they have accepted payments from subscribers.

2. Respondents' representatives or solicitors work for money compensation and are not participants in a "contest" working for prizes and awards. The use by respondents and their representatives or solicitors of credentials and promotional materials identifying such representatives or solicitors as participants in a contest is a spurious device which enables their representatives or solicitors to utilize a personal sympathy appeal in the sale of subscriptions.

3. Respondents' representatives or solicitors are not employed by or for the benefit of charitable or non-profit organizations.

4. To the contrary in a substantial number of instances, respon-

dents' representatives or solicitors are not college students working their way through college.

5. Respondents' representatives or solicitors are not "bonded," and there is no assurance for their honesty and integrity.

6. Respondents do not have a legal arrangement with an independent third party which insures the placement and fulfillment of each and every magazine subscription order.

7. Respondents do not guarantee the delivery of magazines for which they sell subscriptions and accept payments and, once the order is submitted to the magazine subscription clearing company, publisher or distributor, no consistent effort is made by respondents to insure such delivery.

8. In a substantial number of instances, the money paid by the subscriber to the respondents' representatives or solicitors at the time of the sale is not the total cost of the subscription. The subscriber is required to pay an additional sum of money before his subscription will be entered as ordered.

Therefore, the representations, acts and practices as set forth in Paragraph Eight hereof, were, and are, unfair practices and are false, misleading and deceptive.

PAR. 10. In the further course and conduct of their business as aforesaid, where respondents have received payment for subscriptions to magazines they are not authorized to sell and are not able to deliver or cause to be delivered, they have also, in a substantial number of instances:

1. Failed to notify subscribers, after subscription orders have been received at their principal office and place of business, that said magazines cannot be delivered.

2. Required purchasers to subscribe to substitute magazines without offering them the option to receive a full refund of the money paid for the initial subscription.

3. Failed to refund to subscribers the money they have paid for subscriptions to such magazines.

4. Failed to answer, or to answer promptly, inquiries by or on behalf of subscribers concerning non-delivery of such magazines.

Therefore, the aforesaid acts and practices were, and are, unfair practices and are false, misleading and deceptive.

PAR. 11. In the further course and conduct of their business as aforesaid, where respondents have received payment for subscriptions to magazines they are in fact authorized to sell and are able to deliver or cause to be delivered, they have, in many instances, failed to deliver or cause to be delivered such magazines within a reasonable period of time.

Therefore, the aforesaid acts and practices were, and are, unfair practices and are false, misleading and deceptive.

PAR. 12. In the further course and conduct of their business as aforesaid, in instances where the respondents' representatives or solicitors have appropriated money paid by subscribers to their own use, respondents have either failed to refund to subscribers the money said subscribers have paid for subscriptions to magazines or have failed to enter the subscription as ordered by said subscribers.

Therefore, the aforesaid acts and practices were, and are, unfair practices and are false, misleading and deceptive.

PAR. 13. In the further course and conduct of their business as aforesaid, respondents, through their representatives and solicitors, have misrepresented, and are now misrepresenting, the cost, number of issues and duration of magazine subscriptions.

Therefore, the aforesaid acts and practices were, and are, unfair practices and are false, misleading and deceptive.

PAR. 14. By and through the use of the aforesaid acts and practices, respondents place in the hands of the crew chiefs, sales agents, representatives and others the means and instrumentalities by and through which they may mislead and deceive the public in the manner and as to the things hereinabove alleged.

PAR. 15. The use by respondents of the aforesaid false, misleading, deceptive and unfair representations, acts 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 a substantial number of magazine subscriptions from respondents.

PAR. 16. The aforesaid acts and practices of respondents, as herein alleged, were and are all to the prejudice and injury of the public and constituted, and now constitute, unfair and deceptive acts and practices in commerce in violation of Section 5 of the Federal Trade Commission Act.

DECISION AND ORDER

The Commission having issued its complaint in this proceeding on January 7, 1975, charging respondents named in the caption hereof with violations of the Federal Trade Commission Act; and

The Commission having withdrawn the matter from adjudication for the purpose of negotiating a settlement by the entry of a consent order; and

The respondents and counsel for the Commission having executed an agreement containing a consent order, an admission by respondents of

all jurisdictional facts set forth in the aforesaid 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 of its Rules, the Commission makes the following jurisdictional findings, and enters the following order:

1. The agreement herein, by and between Circulation Builders, Inc., a corporation, d/b/a Publishers Service Company of California by its duly authorized officer, and Harold J. Gutknecht and Gerald Gutknecht, individually and as officers of said corporation, respondents in a proceeding initiated by the Federal Trade Commission through the issuance of its complaint on January 7, 1975, and their attorney, and counsel for the Federal Trade Commission, is entered into in accordance with the Commission's Rule governing consent order procedure.

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

ORDER

It is ordered, That respondents Circulation Builder, Inc., a corporation, doing business as Publishers Service Company of California, or under any other name or names, its successors and assigns, and its officers, and Harold J. Gutknecht and Gerald Gutknecht, individually and as officers of said corporation, and respondents' agents, independent contractors, representatives, crew managers, solicitors and employees, directly or through any corporation, subsidiary, division or other device, in connection with the advertising, offering for sale, sale or distribution of magazines, magazine subscriptions, books, or other products; or in the recruitment of solicitors or salesmen for said products in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, as amended, do forthwith cease and desist from:

1. Representing, directly or indirectly, whether orally, visually, or in writing, to solicitors or representatives or prospective solicitors or representatives of said products that:

(a) They will travel on a planned itinerary to various large cities and resort areas throughout the United States and its territories; or misrepresenting in any manner, the travel opportunities to their representatives or solicitors.

(b) Respondents will pay all, or any part of the expenses of such

solicitors except during a limited training period; or misrepresenting, in any manner, the terms or conditions of employment as a representative or solicitor for respondents.

(c) They will have high earnings or earnings of any stated gross amount; or representing in any manner, the past earnings of respondents' representatives or solicitors, unless in fact the past earnings represented have actually been received by more than 90 percent of respondents' representatives or solicitors and accurately reflect the average earnings of such representatives or solicitors.

(d) They will serve in any capacity other than as magazine, book or other publication subscription solicitors selling magazines, books, or other publications on a door-to-door basis; or misrepresenting in any manner, the terms, conditions, or nature of such employment, or the manner or amount of payment for such employment.

2. Failing clearly and unqualifiedly, to reveal during the course of any contact or solicitation of any prospective employee, sales agent or representative, whether directly or indirectly, or by written or printed communications, or by newspaper or periodical advertising, or person-to-person, that such prospective employee, sales agent or representative will be employed to solicit the sale of magazine, book or other publication subscriptions.

3. Failing to immediately provide any representative or solicitor who has been employed for longer than two weeks and who has given either oral or written notice of termination of employment to respondents with the funds necessary to pay for adequate travel expenses to return to the geographical location where said representative or solicitor was initially solicited for employment by respondents.

4. Failing to keep weekly financial records of income earned and expenses incurred by each representative or solicitor of respondents.

5. Failing to provide each representative or solicitor with a weekly itemized written financial statement of his or her income earned and expenses incurred.

6. Failing to remit weekly to representatives and solicitors monies earned by said representatives and solicitors.

7. Failing to obtain all required licenses or other permits prior to doing business in any jurisdiction.

8. Failing to immediately post bail, pay any fines, attorney's fees, or court costs imposed on any representative or solicitor of respondent as a result of respondents' failure to comply with the provisions of Paragraph 7 above.

9. Soliciting or accepting subscriptions for magazines, books or other publications which respondents have no authority to sell or which respondents cannot promptly deliver or cause to be delivered.

10. Representing, directly or by implication, orally, visually, or in writing, that:

(a) Respondents' representatives or solicitors are participants in a contest working for prize awards; or are not solicitors working for money compensation; or misrepresenting, in any manner, the status of their sales agents or representatives or the manner or amount of compensation they receive;

(b) Respondents' representatives or solicitors are employed by or for the benefit of any charitable or non-profit organization; or misrepresenting in any manner, the identity of the solicitor or of his firm or the business that they are engaged in;

(c) Respondents' representatives or solicitors are college students working their way through school;

(d) Respondents' representatives or solicitors are participating in any educational program or that they are competing for educational or trade school awards or scholarships;

(e) Respondents' representatives or solicitors are veterans; or that the sale of magazines, books or other publications is or will be beneficial to veterans or veteran's organizations;

(f) Respondents' sales agents or representatives have been or are bonded, or making any reference to bonding, unless such sales agents or representatives have been bonded by a recognized bonding agency, and any payments made pursuant to such bonding arrangement would accrue directly to the benefit of subscribers ordering subscriptions from respondents' representatives or solicitors; or misrepresenting, in any manner, the nature, terms or conditions of any such bond;

(g) Respondents have a legal arrangement with any independent third party which insures the placement and fulfillment of each and every magazine, book or other publication subscription order; or misrepresenting, in any manner, the nature, terms and conditions of any such arrangement;

(h) Respondents guarantee the delivery of magazines, books or other publications for which they sell subscriptions and accept payments, without clearly and conspicuously disclosing the terms and conditions of any such guarantee; or misrepresenting, in any manner, the terms and conditions of any guarantee; and

(i) The money paid by a subscriber to the respondents' representative or solicitor at the time of the sale is the total cost of the subscription in instances where the subscriber will be required to remit an additional amount in order to receive the subscription as ordered.

11. Utilizing any sympathy appeal to induce the purchase of subscriptions, including but not limited to: illness, disease, handicap, race, financial need, eligibility for benefit offered by respondents, or

other personal status of the solicitor, past, present or future; or representing that earnings from subscription sales will benefit certain groups of persons such as students or the underprivileged, or will help charitable or civic groups, organizations or institutions.

12. Failing clearly and conspicuously without any qualification, orally and in writing, to reveal at the outset of any contact or solicitation of a purchaser or prospective purchaser, whether directly or indirectly, or by written or printed communications, or person-to-person, that the purpose of such contact or solicitation is to sell products or services as the case may be, which shall be identified with particularity at the time of such contact or solicitation.

13. Failing within thirty (30) days from the sale of any subscription to notify a subscriber of respondents' inability to place all or part of a subscription and to deliver each of the magazines, books or other publications of other publications subscribed for; and to offer each such subscriber the option to receive a full refund of the money paid for such subscription or part thereof which respondents are unable to deliver or to substitute other publications in lieu thereof.

14. Failing within ten (10) days from the receipt of notification of a subscriber's election to receive a refund as provided in Paragraph 13 hereof, to make the required refund or to enter the subscription with publishers, as elected by the subscriber.

15. Failing to answer and to answer promptly, inquiries by or on behalf of subscribers regarding subscriptions placed with respondents.

16. Failing to arrange for the delivery of publications already paid for or promptly refunding money on a pro rata basis for all undelivered issues of publications for which payment has been made in advance.

17. Failing within twenty-one (21) days from the date of the receipt of the final payment to enter subscriptions for each magazine, book, or other publication with publishers which respondents are authorized by the publisher or distributor thereof to sell.

18. Failing to give clear and conspicuous oral and written notice to each subscriber that upon written request said subscriber will be entitled to a refund of all monies paid if he does not receive the magazine, book or other publication subscribed for within 120 days of the receipt of the final payment.

19. Failing within ten (10) days from receipt of written request for a refund by any subscriber to refund all monies to subscribers who have not received magazines, books or other publications subscribed for through respondents within 120 days from the date of receipt of the final payment thereof.

20. Failing to refund to subscribers the money said subscribers have paid for subscriptions to magazines, books or other publications

or, at the election of the subscriber, to enter the subscription as originally ordered in instances where the respondents' representatives or solicitors have appropriated such money to their own use and have failed to enter the subscriptions as ordered by said subscribers, within fourteen (14) days of notice to respondents thereof.

21. Failing to furnish each subscriber at the time of sale of any subscription a duplicate original of the contract, order or receipt form signed by the customer showing the date and the name and street address of the sales representative or solicitor, together with the respondent corporation's name, street address and telephone number and showing on the same side of the page, the exact number and name(s) of the publications being subscribed for, the number of issues and duration of each subscription and the total price for each and all such publications.

22. Misrepresenting the number and name(s) of publications being subscribed for, the number of issues and duration of each subscription and the total price for each and all publications.

23. Furnishing, or otherwise placing in the hands of others, the means or instrumentalities by or through which the public may be misled or deceived in the manner or as to the things prohibited by this Order.

It is further ordered, That respondents do forthwith cease and desist from:

1. Failing to furnish a subscriber, hereinafter referred to as "buyer," with a fully completed receipt or copy of any contract pertaining to any sale totaling any dollar amount 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 street address of the corporate respondent, 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 boldface 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.

2. Failing to furnish each buyer, at the time he or she signs the door-to-door sales contract totaling any dollar amount or otherwise agrees to buy consumer goods or services totaling any dollar amount from the respondents, a completed form in duplicate, captioned "NOTICE OF CANCELLATION," which shall be attached to the contract or

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Decision and Order

receipt and easily detachable, and which shall contain in ten point boldface 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 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.

IF THE SELLER FAILS TO NOTIFY YOU, WITHIN TEN (10) BUSINESS DAYS OF RECEIPT OF YOUR NOTICE OF CANCELLATION OF THE SELLER'S INTENT TO REPOSSESS OR TO ABANDON ANY SHIPPED OR DELIVERED GOODS THEN YOU ARE ENTITLED TO A REFUND AND TO RETAIN SAID GOODS.

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*)

3. Failing, before furnishing copies of the "Notice of Cancellation" to the buyer, to complete both copies by entering the name of the seller, the street address of the corporate respondent'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.

4. Including in any door-to-door 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 or her right to cancel the sale in accordance with the provisions of this order.

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

6. Failing to comply with the terms set forth in the notice in Paragraph 1 above and in the Notice of Cancellation in Paragraph 2 above and misrepresenting in any manner the buyer's right to cancel.

7. Failing or refusing to honor any valid notice of cancellation by a buyer and failing within 10 business days after the receipt of such notice, to (i) refund all payments made under the contract or sale; (ii) cancel and return any negotiable instrument executed by the buyer in connection with the contract or sale and take any necessary or appropriate action to terminate promptly any security interest created in the transaction; and (iii) allow a buyer to retain any magazine, book or other publication received by said buyer if respondents have failed within said ten (10) day period to notify buyer whether respondents intend to repossess or to abandon any shipped or delivered goods.

8. 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.

It is further ordered, That respondents do forthwith cease and desist from failing to refund immediately all monies to all persons who subscribe after the effective date of this order and show that respondents' solicitations or performance were attended by or involved violation of any of the provisions of this order.

It is further ordered, That:

1. Gerald Gutknecht and corporate respondent shall refund within six (6) months of notification by subscribers, all monies to persons who have ordered magazines, books or other publications through respondents from January 1, 1970 to the effective date of this order and who have not received said magazines, books or other publications at the address given by said subscribers or who have received magazines, books or other publications they had not ordered, with no obligation on the part of any person to return said magazines, books or other publications not ordered; *provided, however*, that those persons who have ordered magazines, books or other publications 120 days prior to the effective date of this order shall only be entitled to a refund if they