

IN THE MATTER OF
LAS ANIMAS RANCH, INC., ET AL.

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

Docket C-2877. Complaint, Apr. 22, 1977 -- Decision, Apr. 22, 1977

Consent order requiring seven Colorado Springs, Colo., sellers of undeveloped land, among other things, to cease misrepresenting the risks involved in land purchase; the location and quality of the land offered for sale; the costs and availability of utilities; and the advisability of consulting with a professional real estate expert prior to purchase. Further, the order requires respondents to cease failing to furnish the information required by Regulation Z of the Truth in Lending Act; provide a cooling-off period; advise buyers of their rights to cancellation and refund; and to institute a surveillance program designed to ensure compliance with the terms of the order.

Appearances

For the Commission: *Gerald H. Jagers.*

For the respondents: *Ron J. Robinson, Walton, Robinson & Shields,*
Colorado Springs, Colorado.

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 Las Animas Ranch, Inc., Mount Blanca Estates, Inc., Mount Blanca Valley Ranches, Inc., Chubasco, Inc., Pine Cone Properties, Inc., corporations; O'Keefe-Baldwin & Associates, Ltd., Trinchera Creek Estates, Ltd., general partnerships; and Charles R. Baldwin, individually and as an officer, stockholder and managing partner of said corporations and partnerships; hereinafter sometimes referred to as respondents, have violated provisions of said Acts 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 in the enumerated paragraphs below.

Allegations in the enumerated paragraphs of respondents' present acts and practices include respondents' past acts and practices. Allegations in said paragraphs of respondents' representations or statements include such representations and statements in sales

contracts, advertising, promotional materials or sales communications made orally, visually or in writing, directly or by implication.

PARAGRAPH 1. Respondent Las Animas Ranch, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Colorado, with its office and principal place of business located at 2860 South Circle Drive, Colorado Springs, Colo.

Respondent Mount Blanca Estates, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Colorado, with its office and principal place of business located at 2860 South Circle Drive, Colorado Springs, Colo.

Respondent Mount Blanca Valley Ranches, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Colorado, with its office and principal place of business located at 2860 South Circle Drive, Colorado Springs, Colo.

Respondent Chubasco, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Colorado, with its office and principal place of business located at 2860 South Circle Drive, Colorado Springs, Colo.

Respondent Pine Cone Properties, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Colorado, with its office and principal place of business located at 2860 South Circle Drive, Colorado Springs, Colo.

Respondent O'Keefe-Baldwin & Associates, Ltd. is a partnership existing and doing business under and by virtue of the laws of the State of Colorado, with its office and principal place of business located at 2860 South Circle Drive, Colorado Springs, Colo.

Respondent Trinchera Creek Estates, Ltd. is a partnership existing and doing business under and by virtue of the laws of the State of Colorado, with its office and principal place of business located at 2860 South Circle Drive, Colorado Springs, Colo.

Respondents Charles R. Baldwin and Danny W. O'Keefe are officers, managing partners, managers, or stockholders of the above corporations and partnerships. They formulate, direct and control the acts and practices of the corporate respondents and the partnership respondents. Their business address is 2860 South Circle Drive, Colorado Springs, Colo.

PAR. 2. Respondents are engaged in the business of acquiring undeveloped land and subdividing said land into lots; and advertising, offering for sale and selling said lots to the public.

PAR. 3. Respondents' volume of business is substantial and their acts and practices, as hereinafter set forth, are in or affect commerce, as "commerce" is defined in the Federal Trade Commission Act, as amended.

PAR. 4. In the course and conduct of their aforesaid business, and at all times mentioned herein, respondents have been, and now are, in substantial competition, in commerce, with corporations, firms and individuals in the sale of land.

PAR. 5. Among the subdivisions owned or formerly owned by respondents in which lots have been or are being offered for sale by respondents are the subdivisions known as Mount Blanca Estates, Mount Blanca Valley Ranches, Las Animas Ranch, Trinchera Creek Estates and Mountain View Ranches, all located in the State of Colorado. The acreage of each of these subdivisions is substantial. Respondents formerly acted as a sales agent for a Colorado subdivision known as San Luis Estates.

COUNT ONE

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

PAR. 6. In the conduct of their aforesaid business, respondents represent that the lots which respondents offer for sale are good investments and that there is little or no financial risk involved in the purchase of said lots.

PAR. 7. In truth and in fact, significant number of the aforesaid lots are not good investments involving little or no financial risk to purchasers from respondents. Therefore, the acts and practices described in Paragraph Six are unfair or deceptive.

PAR. 8. In the further conduct of their aforesaid business, respondents offer for sale and sell lots in their subdivisions without disclosing to prospective purchasers that the purchase of said lots is a risky investment in that, *inter alia*, the future value of said lots is uncertain and the purchaser will probably be unable to resell his or her lot at or above the purchase price. Therefore, respondents have failed to disclose material characteristics of their lots which would be likely to affect the consideration by purchasers of whether or not to purchase a lot from respondents. The failure to disclose such information is an unfair or deceptive act or practice.

PAR. 9. In the further conduct of their aforesaid business, respondents represent that the value of the undeveloped land and lots in their subdivisions is growing at a rate which corresponds to the growth rate of the value, at the undeveloped stage, of land and lots in more fully developed and populated areas.

PAR. 10. In truth and in fact, the growth rate of the value of the undeveloped land and lots in respondents' subdivisions does not

correspond to the growth rate of the value, at the undeveloped stage, of land and lots in more fully developed and populated areas referred to in Paragraph Nine. Therefore, the acts and practices described in Paragraph Nine are unfair or deceptive.

PAR. 11. In the further conduct of their aforesaid business, respondents represent that utilities, such as electricity and telephone, are presently available on the subdivisions, or that such utilities are located nearby, or that such utilities will be extended to prospective purchasers' lots at no additional cost to them, or that prospective purchasers will be able to obtain such utilities at a nominal cost.

PAR. 12. In truth and in fact, most of the lots sold by respondents are located a great distance from existing utility lines; no current plan exists to extend such lines to purchasers' lots; and, in addition to nominal hook-up or installation charges, purchasers must pay substantial expenses for utility line extension, plus sign longterm use contracts with local utility companies. Therefore, the acts and practices described in Paragraph Eleven are unfair or deceptive.

PAR. 13. In the further conduct of their aforesaid business, respondents represent that water may be obtained on each lot by drilling a well, or that the State of Colorado guarantees the availability of water or will automatically grant well drilling permits, or that drinkable water may be found at a shallow depth, 30 to 50 feet, and at nominal cost, and that water obtained may be used for any purpose.

PAR. 14. In truth and in fact, on most of the lots sold by respondents, sufficient drinkable water is either not available, or available only at excessive depths; the State of Colorado does not guarantee the availability of water, and on some lots, the State will not automatically issue well drilling permits; water permits are limited, in some areas, to domestic (in house) uses only; and drilling for water on many of respondents' lots involves substantial expense. Therefore, the acts and practices described in Paragraph Thirteen are unfair or deceptive.

PAR. 15. In the further conduct of their aforesaid business, respondents represent that the lots in respondents' subdivisions are useable as homesites.

PAR. 16. In truth and in fact, all or most of the aforesaid lots are not useable as homesites because of, *inter alia*, the lack or unreasonable cost of utilities, the difficulty in obtaining home construction financing, the remote location of the property and the poor quality of the land. Therefore, the acts and practices described in Paragraph Fifteen are unfair or deceptive.

PAR. 17. In the further conduct of their aforesaid business, respondents offer for sale and sell lots in their subdivisions without disclosing to prospective purchasers the total cost of all utilities, that one or more utility services may not be available and that home construction financing is difficult to obtain. Therefore, respondents have failed to disclose material characteristics of their lots which would be likely to affect the consideration by purchasers of whether or not to purchase a lot from respondents. The failure to disclose such information is an unfair or deceptive act or practice.

PAR. 18. In the further conduct of their aforesaid business, respondents represent that the land in their subdivisions will soon be unavailable and that prospective buyers must purchase lots immediately or risk being unable to do so.

PAR. 19. In truth and in fact, respondents' land is not selling at such a rate that prospective buyers cannot wait a substantial period of time and still be able to obtain land in the subdivision being offered. Therefore, the acts and practices described in Paragraph Eighteen are unfair or deceptive.

PAR. 20. In the further conduct of their aforesaid business, respondents represent that the money paid to respondents by purchasers is fully protected or "Guaranteed" by respondents' refund plan.

PAR. 21. In truth and in fact, the money paid to respondents by purchasers is not fully protected or "Guaranteed" by respondents' refund plan because of the conditions required of purchasers to get refunds including, but not limited to, the conditions that purchasers must bear the cost of traveling to the property and that purchasers must request a refund immediately upon completion of a required company guided tour when it may not be possible for purchasers to determine if the property is as represented at that time. Therefore, the acts and practices described in Paragraph Twenty are unfair or deceptive.

PAR. 22. In the further conduct of their aforesaid business, respondents represent that their subdivision land and the area in which said land is located is similar or comparable to urban, metropolitan and industrial areas as well as to mountain resort areas and recreation areas.

PAR. 23. In truth and in fact, respondents' land is not similar or comparable either to urban, metropolitan and industrial areas or to mountain resort areas or to recreation areas. Therefore, the acts and practices described in Paragraph Twenty-Two are unfair or deceptive.

PAR. 24. In the further conduct of their aforesaid business,

respondents represent that the subdivisions being sold are currently being developed or that many homes are now being built or will be built in the immediate future and that respondents or others are building or will build motels, resorts, ski areas and restaurants on or near the subdivisions.

PAR. 25. In truth and in fact, few permanent residences have been built on respondents' subdivisions and respondents have no plans to make additional improvements on their subdivisions. Therefore, the acts and practices described in Paragraph Twenty-Four are unfair or deceptive.

PAR. 26. In the further conduct of their aforesaid business, respondents represent that certain lots have been repossessed or forfeited, that the interest in such lots may be assumed by making certain back payments, and that purchasers are receiving credit for the equity or amount paid in by the previous purchaser of the lot.

PAR. 27. In truth and in fact, respondents offer no assumptions. The amounts identified by respondents as "assignment of equity" or "discount by credit" are, in fact, artificial or fictitious price reductions, and purchasers, in fact, pay the normal purchase price offered by respondents. Therefore, the acts and practices described in Paragraph Twenty-Six are unfair or deceptive.

PAR. 28. In the further conduct of their aforesaid business, respondents represent that no sales commission expense is involved in the purchase of respondents' lots and that, therefore, the purchase of respondents' lots is more economical when compared to other purchase or investment opportunities.

PAR. 29. In truth and in fact, respondents' salesmen do work on a commission basis. Therefore, the acts and practices described in Paragraph Twenty-Eight are unfair or deceptive.

PAR. 30. In the further conduct of their aforesaid business, respondents represent that lots in two subdivisions known as Las Animas Ranch may be used for any purpose desired by the purchasers thereof, including principal residence, mobile homes, resort developments or vacation homes.

PAR. 31. In truth and in fact, all or most of the lots in the Las Animas Ranch subdivisions are zoned "plains agriculture," requiring ownership of 320 acres before building of any sort is allowed. Therefore, the acts and practices described in Paragraph Thirty are unfair or deceptive.

PAR. 32. In the further conduct of their aforesaid business, respondents offer lots in their Las Animas Ranch subdivisions without disclosing to prospective purchasers that the lots being offered are zoned "plains agricultural," requiring ownership of 320

acres before building of any sort is allowed. Respondents, therefore, have failed to disclose material characteristics of their lots which, if known to certain consumers, would be likely to affect their consideration of whether or not to purchase a lot from respondents. The failure to disclose such information is a deceptive or unfair act or practice.

PAR. 33. In the further conduct of their aforesaid business, respondents use land sales contracts which contain declarations that the contract contains the entire agreement of the parties and that no representations were made to the lot purchaser to induce said purchaser to enter into the contract other than those representations expressed in the contract.

PAR. 34. Use by respondents of the contract declarations described in Paragraph Thirty-Three is an unfair or deceptive act or practice because respondents and their agents make representations which differ in material respects from, or which obscure, the rights and obligations of purchasers and respondents under said contracts.

PAR. 35. In the further conduct of their aforesaid business, respondents use land sales contracts which contain a provision that defaulting purchasers forfeit all payments previously made to respondents under the contract. When purchasers default and forfeit previously made payments, respondents retain and fail to offer refunds of those amounts of the purchasers' total payments which exceed respondents' reasonable damages caused by the defaults.

PAR. 36. Use by respondents of the contract provision described in Paragraph Thirty-Five and the retaining by respondents of purchasers' payments in excess of reasonable damages are unfair acts or practices.

PAR. 37. In the further conduct of their aforesaid business, respondents induce members of the public through the unfair and deceptive acts and practices, described in the enumerated paragraphs above, to pay to them, in advance of the passage of title, substantial sums of money toward the purchase of lots located within respondents' subdivisions. Said lots are of little or no use or value to purchasers as investments or as homesites. Respondents retain said sums of money.

PAR. 38. Respondents' retaining of the sums of money obtained through the acts and practices described in Paragraph Thirty-Seven is an unfair act or practice.

PAR. 39. The use by respondents of the aforementioned unfair or deceptive statements, representations, and practices has the capacity and tendency to mislead and deceive a substantial portion of the purchasing public into the erroneous and mistaken belief that such statements are true and to cause the purchase of substantial

numbers of respondents' lots because of said mistaken and erroneous belief.

PAR. 40. The aforementioned acts and practices, as herein alleged, are all to the prejudice and injury of the public and respondents' competitors and 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 TWO

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 Two as if fully set forth verbatim.

PAR. 41. In the further conduct of their aforesaid business, respondents regularly extend consumer credit, as "consumer credit" is defined in Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 42. Subsequent to July 1, 1969, respondents, in the conduct of their aforesaid business and in connection with credit sales as "credit sales" is defined in Section 226.2(n) of Regulation Z, have caused their customers to execute installment contracts, or contracts for deed. By and through the use of these contracts, respondents, in a number of instances:

1. Have failed to state the number, amount and the due dates or period of payments scheduled to repay the indebtedness, and the sum of such payments, using the term "total of payments," as required by Section 226.8(b)(3) of Regulation Z.

2. Have failed to use the terms "cash downpayment," "total downpayment" and "unpaid balance of cash price," and have failed to give the corresponding disclosures with those terms, as required by Sections 226.8(c)(1), 226.8(c)(2) and 226.8(c)(3) of Regulation Z.

3. Have failed to use the term "deferred payment price," and to give the corresponding disclosure with that term, as required by Section 226.8(c)(8)(ii) of Regulation Z.

4. Have failed to use the term "finance charge," and to give the corresponding disclosure with that term, as required by Section 226.8(c)(8)(i) of Regulation Z.

5. Have failed to disclose the identity of the creditor, as required by Section 226.8(a) of Regulation Z.

6. Have failed to make the disclosures in the manner required by Sections 226.8(a)(1) and 226.8(a)(2) of Regulation Z.

7. Have failed to accurately disclose the "annual percentage rate," to the nearest quarter of one per cent, as required by Sections 226.5(b) and 226.8(b)(2) of Regulation Z.

8. Have failed to disclose whether a rebate of the unearned finance charges upon prepayment in full is available, and, if available, the method of computation, as required by Section 226.8(b)(7) of Regulation Z.

9. Have failed to use the term "annual percentage rate," as required by Section 226.8(b)(2) of Regulation Z.

10. Have failed to use the term "amount financed," as required by Section 226.8(c)(7) of Regulation Z.

PAR. 43. Subsequent to July 1, 1969, respondents, in the conduct of their aforesaid business and in connection with credit sales, have caused to be published advertisements, as "credit sale" and "advertisement" are defined in Section 226.2 of Regulation Z, which advertisements aid, promote or assist, directly or indirectly, the extension of other than open end credit.

PAR. 44. Respondents, in certain of these advertisements state the amount of the downpayment or that no downpayment is required, the amount of an installment payment, or the period of repayment, or that there is no charge for credit, without also stating all of the following items, in terminology prescribed under Section 226.8 of Regulation Z, as required by Section 226.10(d)(2):

(a) the cash price;

(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.

PAR. 45. Respondents, in other advertisements state the rate of a finance charge, as "finance charge" is defined in Section 226.2 of Regulation Z, and have not expressed said rate as an annual percentage rate, using the term "annual percentage rate," as "annual percentage rate" is defined in Section 226.2 of Regulation Z, in violation of Section 226.10(d)(1) of Regulation Z.

PAR. 46. By and through the use of a contract, respondents retain, create or acquire a security interest, as "security interest" is defined in Section 226.2(z) of Regulation Z, in real property which is expected or may be expected to be used as the principal residence of the

purchaser. Respondents' retention or acquisition of a security interest in said real property gives their customers, who are extended consumer credit, as "consumer credit" is defined in Section 226.2(k) of Regulation Z, the right to rescind the transaction until midnight of the third business day following the date of consummation of the transaction or the date of delivery of all the disclosures required by Regulation Z, whichever is later.

By and through the use of the aforementioned contract for deed, respondents in all instances since July 1, 1969:

1. Have failed to provide the "Notice of Opportunity to Rescind" to the customer on one side of a separate statement which identifies the transaction to which it relates, as required by Section 226.9(b) of Regulation Z.

2. Have failed to set out the "Effect of Rescission," Section 226.9(d) of Regulation Z in the manner and form required by Section 226.9(b) of Regulation Z.

PAR. 47. Pursuant to Section 103(q) of the Truth in Lending Act, respondents' aforesaid failures to comply with the provisions of Regulation Z constitute violations of that Act, and, pursuant to Section 108 thereof, respondents thereby violated the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Denver Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act and the Truth in Lending Act; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission for purposes of this proceeding by the respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Acts, and that complaint should issue stating its charges in that respect, and having thereupon accepted the

executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its Rules, the Commission hereby issues its complaint, makes the following findings, and enters the following order:

FINDINGS

1. Respondent Las Animas Ranch, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Colorado, with its office and principal place of business located at 2860 South Circle Drive, Colorado Springs, Colo.

Respondent Mount Blanca Estates, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Colorado, with its office and principal place of business located at 2860 South Circle Drive, Colorado Springs, Colo.

Respondent Mount Blanca Valley Ranches, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Colorado, with its office and principal place of business located at 2860 South Circle Drive, Colorado Springs, Colo.

Respondent Chubasco, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Colorado, with its office and principal place of business located at 2860 South Circle Drive, Colorado Springs, Colo.

Respondent Pine Cone Properties, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Colorado, with its office and principal place of business located at 2860 South Circle Drive, Colorado Springs, Colo.

Respondent O'Keefe-Baldwin & Associates, Ltd. is a partnership existing and doing business under and by virtue of the laws of the State of Colorado, with its office and principal place of business located at 2860 South Circle Drive, Colorado Springs, Colo.

Respondent Trinchera Creek Estates, Ltd. is a partnership existing and doing business under and by virtue of the laws of the State of Colorado, with its office and principal place of business located at 2860 South Circle Drive, Colorado Springs, Colo.

Respondents Charles R. Baldwin and Danny W. O'Keefe are officers, managing partners, managers or stockholders of the above corporations and partnerships. They formulate, direct and control the policies, acts and practices of said corporations and partnerships, and their business address is also 2860 South Circle Drive, Colorado Springs, Colo.

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.

(Hereinafter, findings of present acts and practices include past acts and practices, and findings of representations include oral, written or visual communications, made directly or indirectly.)

3. Las Animas Ranch, Inc., subdivided approximately 15,000 acres of Colorado land and designated the subdivision as Las Animas Ranch.

4. Mount Blanca Valley Ranches, Inc., subdivided approximately 8,000 acres of Colorado land and designated the subdivision as Mount Blanca Valley Ranches.

5. Mount Blanca Estates, Inc., subdivided approximately 5,000 acres of Colorado land and designated the subdivision as Mount Blanca Estates.

6. Trinchera Creek Estates, Ltd., subdivided approximately 10,000 acres of Colorado land and designated the subdivision as Trinchera Creek Estates.

7. Chubasco, Inc., Pine Cone Properties, Inc., and O'Keefe-Baldwin & Associates, Ltd., acted as sales agents for the aforesaid subdivisions.

8. The aforesaid subdivisions were divided for the most part into five (5) acre lots, and lots in them were sold to members of the public located throughout the country.

9. Respondents represent that the lots which respondents offer for sale are good investments and that there is little or no financial risk involved in the purchase of said lots.

10. A significant number of the aforesaid lots are not good investments involving little or no financial risk to purchasers from respondents. Therefore, the acts and practices described in Finding 9 are unfair or deceptive.

11. Respondents offer for sale and sell lots in their subdivisions without disclosing to prospective purchasers that the purchase of said lots is a risky investment in that, *inter alia*, the future value of said lots is uncertain and the purchaser will probably be unable to resell his or her lot at or above the purchase price. Therefore, respondents have failed to disclose material characteristics of their lots which would be likely to affect the consideration by purchasers of whether or not to purchase a lot from respondents. The failure to disclose such information is an unfair or deceptive act or practice.

12. Respondents represent that the value of the undeveloped land and lots in their subdivisions is growing at a rate which corresponds to the growth rate of the value, at the undeveloped stage, of land and lots in more fully developed and populated areas.

13. The growth rate of the value of the undeveloped land and lots in respondents' subdivisions does not correspond to the growth rate of the value, at the undeveloped stage, of land and lots in more fully developed and populated areas referred to in Finding 12. Therefore, the acts and practices described in Finding 12 are unfair or deceptive.

14. Respondents represent that utilities, such as electricity and telephone, are presently available on the subdivisions, or that such utilities are located nearby, or that such utilities will be extended to prospective purchasers' lots at no additional cost to them, or that prospective purchasers will be able to obtain such utilities at a nominal cost.

15. Most of the lots sold by respondents are located a great distance from existing utility lines; no current plan exists to extend such lines to purchasers' lots; and, in addition to nominal hook-up or installation charges, purchasers must pay substantial expenses for utility line extension, plus sign long-term use contracts with local utility companies. Therefore, the acts and practices described in Finding 14. are unfair or deceptive.

16. Respondents represent that water may be obtained on each lot by drilling a well, or that the State of Colorado guarantees the availability of water or will automatically grant well drilling permits, or that drinkable water may be found at a shallow depth, 30 to 50 feet, and at nominal cost, and that water obtained may be used for any purpose.

17. On most of the lots sold by respondents, sufficient drinkable water is either not available, or available only at excessive depths; the State of Colorado does not guarantee the availability of water, and on some lots, the state will not automatically issue well drilling permits; water permits are limited, in some areas, to domestic (in house) uses only; and drilling for water on many of respondents' lots involves substantial expense. Therefore, the acts and practices described in Finding 16. are unfair or deceptive.

18. Respondents represent that the lots in respondents' subdivisions are useable as homesites.

19. All or most of the aforesaid lots are not useable as homesites because of, *inter alia*, the lack or unreasonable cost of utilities, the difficulty in obtaining home construction financing, the remote location of the property and the poor quality of the land. Therefore, the acts and practices described in Finding 18. are unfair or deceptive.

20. Respondents offer for sale and sell lots in their subdivisions without disclosing to prospective purchasers the total cost of all

utilities, that one or more utility services may not be available and that home construction financing is difficult to obtain. Therefore, respondents have failed to disclose material characteristics of their lots which would be likely to affect the consideration by purchasers of whether or not to purchase a lot from respondents. The failure to disclose such information is an unfair or deceptive act or practice.

21. Respondents represent that the land in their subdivisions will soon be unavailable and that prospective buyers must purchase lots immediately or risk being unable to do so.

22. Respondents' land is not selling at such a rate that prospective buyers cannot wait a substantial period of time and still be able to obtain land in the subdivision being offered. Therefore, the acts and practices described in Finding 21 are unfair or deceptive.

23. Respondents represent that the money paid to respondents by purchasers is fully protected or "Guaranteed" by respondents' refund plan.

24. The money paid to respondents by purchasers is not fully protected or "Guaranteed" by respondents' refund plan because of the conditions required of purchasers to get refunds including, but not limited to, the conditions that purchasers must bear the cost of traveling to the property and that purchasers must request a refund immediately upon completion of a required company guided tour when it may not be possible for purchasers to determine if the property is as represented at that time. Therefore, the acts and practices described in Finding 23 are unfair or deceptive.

25. Respondents represent that their subdivision land and the area in which said land is located is similar or comparable to urban, metropolitan and industrial areas as well as to mountain resort areas and recreation areas.

26. Respondents' land is not similar or comparable either to urban, metropolitan and industrial areas or to mountain resort areas or to recreation areas. Therefore, the acts and practices described in Finding 25 are unfair or deceptive.

27. Respondents represent that the subdivisions being sold are currently being developed or that many homes are now being built or will be built in the immediate future and that respondents or others are building or will build motels, resorts, ski areas and restaurants on or near the subdivisions.

28. Few permanent residences have been built on respondents' subdivisions and respondents have no plans to make additional improvements on their subdivisions. Therefore, the acts and practices described in Finding 27 are unfair or deceptive.

29. Respondents represent that certain lots have been repossessed

or forfeited, that the interest in such lots may be assumed by making certain back payments, and that purchasers are receiving credit for the equity or amount paid in by the previous purchaser of the lot.

30. Respondents offer no assumptions. The amounts identified by respondents as "assignment of equity" or "discount by credit" are, in fact, artificial or fictitious price reductions, and purchasers, in fact, pay the normal purchase price offered by respondents. Therefore, the acts and practices described in Finding 29 are unfair or deceptive.

31. Respondents represent that no sales commission expense is involved in the purchase of respondents' lots and that, therefore, the purchase of respondents' lots is more economical when compared to other purchase or investment opportunities.

32. Respondents' salesmen do work on a commission basis. Therefore, the acts and practices described in Finding 31 are unfair or deceptive.

33. Respondents represent that lots in two subdivisions known as Las Animas Ranch may be used for any purpose desired by the purchasers thereof, including principal residence, mobile homes, resort developments or vacation homes.

34. All or most of the lots in the Las Animas Ranch subdivisions are zoned "plains agriculture," requiring ownership of 320 acres before building of any sort is allowed. Therefore, the acts and practices described in Finding 33 are unfair or deceptive.

35. Respondents offer lots in their Las Animas Ranch subdivisions without disclosing to prospective purchasers that the lots being offered are zoned "plains agricultural," requiring ownership of 320 acres before building of any sort is allowed. Respondents, therefore, have failed to disclose material characteristics of their lots which, if known to certain consumers, would be likely to affect their consideration of whether or not to purchase a lot from respondents. The failure to disclose such information is a deceptive or unfair act or practice.

36. Respondents use land sales contracts which contain declarations that the contract contains the entire agreement of the parties and that no representations were made to the lot purchaser to induce said purchaser to enter into the contract other than those representations expressed in the contract.

37. Use by respondents of the contract declarations described in Finding 36 is an unfair or deceptive act or practice because respondents and their agents make representations which differ in material respects from, or which obscure, the rights and obligations of purchasers and respondents under said contracts.

38. Respondents use land sales contracts which contain a provision that defaulting purchasers forfeit all payments previously made

to respondents under the contract. When purchasers default and forfeit previously made payments, respondents retain and fail to offer refunds of those amounts of the purchasers' total payments which exceed respondents' reasonable damages caused by the defaults.

39. Use by respondents of the contract provision described in Finding 38 and the retaining by respondents of purchasers' payments in excess of reasonable damages are unfair acts or practices.

40. Respondents induce members of the public through the unfair and deceptive acts and practices, described in the enumerated findings above, to pay to them, in advance of the passage of title, substantial sums of money toward the purchase of lots located within respondents' subdivisions. Said lots are of little or no use or value to purchasers as investments or as homesites. Respondents retain said sums of money.

41. Respondents' retaining of the sums of money obtained through the acts and practices described in Finding 40 is an unfair act or practice.

42. The use by respondents of the aforementioned unfair or deceptive statements, representations, and practices has the capacity and tendency to mislead and deceive a substantial portion of the purchasing public into the erroneous and mistaken belief that such statements are true and to cause the purchase of substantial numbers of respondents' lots because of said mistaken and erroneous belief.

43. The aforementioned acts and practices, as herein alleged, are all to the prejudice and injury of the public and respondents' competitors and 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.

ORDER

As used in this order, a requirement to cease and desist from representing or misrepresenting shall include representing or misrepresenting, directly or indirectly, and by any manner or means.

As used in this order, the term "subdivision" means:

Land which has been or will be divided into 50 or more lots, whether contiguous or not, where said lots are being, have been, or will be offered for sale or lease as part of a common promotional plan.

I

It is ordered, That respondents Las Animas Ranch, Inc., Mount

Blanca Estates, Inc., Mount Blanca Valley Ranches, Inc., Chubasco, Inc., and Pine Cone Properties, Inc., corporations; O'Keefe-Baldwin & Associates, Ltd., and Trinchera Creek Estates, Ltd., general partnerships, their successors and assigns; and Charles R. Baldwin, individually and as an officer, managing partner and stockholder of said corporations and partnerships, and Danny W. O'Keefe, individually and as an officer, managing partner and stockholder of said corporations and partnerships, and respondents' officers, agents, representatives and employees, directly or through any corporation, partnership, subsidiary, division or other device, in connection with the advertising, offering for sale or sale of subdivisions, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Misrepresenting:

1. That real estate is a good or safe investment, or that the purchase of a lot in one of respondents' subdivisions is a good or safe investment.
2. That there is little or no financial risk involved in the purchase of respondents' lots.
3. That the resale of a lot purchased from respondents is not difficult.
4. That the value of, or demand for, any land, including lots being offered for sale or previously sold by respondents, has increased, or will or may increase, or that purchasers have made, or will or may in the future make, a profit by reason of having purchased respondents' land.
5. That the prices of respondents' lots periodically rise or that prices of said lots are increasing, have increased or will increase, without clearly and conspicuously disclosing at the same time, and by the same medium by which the price increases are communicated, that the price increases of respondents' lots do not in any way relate to the value of said lots.
6. That the purchase of a lot in one of respondents' subdivisions is a way to achieve financial security or prosperity, to deal with inflation or to become wealthy.
7. That the land in any of respondents' subdivisions will soon be unavailable or that prospective purchasers must purchase a lot in one of respondents' subdivisions immediately to ensure that such lot will be available.
8. That respondents' subdivision land and the area surrounding said land are comparable, similar or analogous either to urban, metropolitan and industrial areas or to mountain resort areas or to recreation areas.

9. That ski lifts, resorts, motels or other developments are planned on or near respondents' subdivisions, thereby increasing the value and desirability of the subdivisions.

10. That respondents will repurchase lots or resell lots for purchasers, unless such is a fact.

11. That lots being offered for sale have been repossessed, reduced in price, or may be purchased on an assumption basis, or that purchasers will be assigned or receive the benefit of a former purchaser's equity or payments.

12. That sales commissions are not paid to respondents' sales agents.

B. Including in any contract for the sale of respondents' land, or in any document shown or provided to purchasers or prospective purchasers of respondents' land:

1. Language to the effect that no express or implied representations have been made in connection with the sale or offering for sale of respondents' land, other than those set forth in the contract or document, or that any particular representation has not been made in such connection.

2. Language to the effect that upon a failure of the purchaser to pay any installment due under the contract or otherwise to perform any obligation under the contract, the seller shall be entitled to retain sums previously paid thereunder by the purchaser in excess of the seller's actual damages.

3. Any waiver, limitation or condition on the right of a purchaser to cancel a transaction or receive a refund under any provision of this order, except as such waiver, limitation or condition is expressly allowed by this order.

C. Misrepresenting the right of a purchaser under any provision of this order or any applicable statute or regulation to cancel a transaction or receive a refund.

D. Making any statement or representation, concerning the proximity of any city or place to a subdivision or a part thereof, without clearly disclosing in immediate conjunction therewith and with the same conspicuousness as such representation, the distance in road miles from the geographic center of the subdivision or part thereof to the other city or place referred to, including subtotals showing number of road miles paved and unpaved.

E. Misrepresenting the purpose or effect of any provision in the contract for sale, or other forms, completed at the time of sale or thereafter, whereby the purchasers are required to declare their intention as to establishing a permanent or principal place of residence on the land.

F. Misrepresenting the cost, availability or method of obtaining water, electric power, telephone or natural gas service, sewage treatment systems or any other type of improvement.

G. Misrepresenting, or failing to disclose, any type of zoning, covenant, easement, encumbrance, exception, reservation, restriction or condition or other matters of record which may significantly affect the use, enjoyment or value of lots sold by respondents.

H. Advertising for sale, offering for sale, contracting to sell or selling any interest in:

1. Subdivision lots represented in any manner as being useable now or in the future as a homesite, unless at the time of sale respondents include as a part of the sales contract a statement disclosing the then existing costs, availability, and feasibility of acquiring water, sewage disposal, electricity and telephone service for the lot being sold under such sales contract.

2. Any subdivision lots not covered in paragraph I.H.1. of this order unless;

a. There shall appear in the form and place described in paragraph II.C. of this order as an additional paragraph immediately following the first two paragraphs required by paragraph II.C., the following statement:

THIS UNDEVELOPED LAND IS BEING SOLD "AS IS." ELECTRICITY, WATER, SEWER AND TELEPHONE SERVICE ARE NOT PLANNED FOR THIS SUBDIVISION AND MAY BE IMPOSSIBLE FOR YOU TO OBTAIN AT A REASONABLE COST. YOUR LOT WILL BE ACCESSIBLE, IF AT ALL, ONLY BY UNPAVED ROADS WHICH WILL NOT BE MAINTAINED BY US. THE USE OF SUCH ROADS MAY BE IMPOSSIBLE WITHOUT MAINTENANCE. AS A RESULT, YOUR LOT MAY HAVE NO USE AS A HOMESITE.

b. Each piece of advertising, sales or promotional material contains the following statement, in the same size type as that which is predominantly used in such material:

LOTS IN THIS SUBDIVISION MAY NOT BE USEABLE AS HOMESITES

If respondents fail for any reason to make the disclosures required by the above paragraph (I.H.2.) of this order, they shall refund to each purchaser to whom the disclosures were not made all monies paid by such purchaser to respondents under the terms of the land sales contract when requested to do so by such purchaser.

II

It is further ordered, That respondents and respondents' officers, agents, representatives and employees, directly or through any

corporation, partnership, subsidiary, division or other device, in connection with the advertising, offering for sale or sale of subdivisions, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith:

A. Include clearly and conspicuously:

1. In all sales presentations, promotional materials and advertising, other than any TV or radio advertisements, in the same size type as that which is predominantly used in such material, the following statement:

YOU SHOULD CONSIDER THE PURCHASE OF OUR LAND TO BE RISKY. THE FUTURE VALUE OF THIS LAND IS UNCERTAIN--DO NOT COUNT ON AN INCREASE IN ITS VALUE. IN THE PAST, IT HAS NOT ALWAYS BEEN POSSIBLE FOR PURCHASERS OF THIS LAND TO RESELL THE LAND AT A PROFIT.

IT IS SUGGESTED THAT YOU DISCUSS ANY POSSIBLE PURCHASE WITH A LAWYER, REALTOR, OR OTHER QUALIFIED PROFESSIONAL.

2. In all TV and radio advertisements, the following statement:

YOU SHOULD CONSIDER THE PURCHASE OF OUR LAND TO BE RISKY.

B. Set forth on the first page of any contract for the sale of land in 24-point boldface type, "CONTRACT FOR THE PURCHASE OF LAND," with no other writing except that required by paragraphs II.C. and I.H. of this order.

C. Print the following in 12-point boldface type as the only writing, in addition to that required by paragraphs II.B. and I.H. of this order, on the first page of all contracts for the sale of land:

THIS IS A CONTRACT BY WHICH YOU AGREE TO PURCHASE LAND. THE FUTURE VALUE OF THIS LAND IS UNCERTAIN--DO NOT COUNT ON AN INCREASE IN ITS VALUE. YOU SHOULD NOT CONSIDER THIS PURCHASE AS A PROFITMAKING INVESTMENT. IN FACT, PURCHASERS MAY NOT BE ABLE TO RESELL THEIR LAND.

IT IS SUGGESTED THAT YOU CONSIDER YOUR NEEDS CAREFULLY AND CONTACT A LAWYER, REALTOR OR OTHER QUALIFIED PROFESSIONAL ABOUT THIS PURCHASE.

Signature

Date

No contract for the sale of respondents' land shall be valid unless this statement is signed and dated by the purchaser after he has had a reasonable amount of time to read the whole page.

D. Whenever respondents provide prospective purchasers with a

contract for the sale of land by any means other than by mailing said contract directly to such purchasers:

1. Furnish each purchaser, at the time the purchaser signs a contract for the sale of land, with two copies of a form, captioned in 12-point type "NOTICE OF RIGHT OF CANCELLATION," which shall contain in 10-point boldface type the following information and statements:

Date of Transaction

Contract Number

NOTICE OF CANCELLATION

YOU MAY CANCEL THIS TRANSACTION, WITHOUT ANY PENALTY OR OBLIGATION, AT ANY TIME PRIOR TO MIDNIGHT OF THE TENTH BUSINESS DAY AFTER THE DATE SHOWN ON THE CONTRACT.

IF YOU CANCEL, ANY PAYMENTS MADE BY YOU UNDER THE CONTRACT AND ANY NEGOTIABLE INSTRUMENT EXECUTED BY YOU WILL BE RETURNED WITHIN TEN BUSINESS DAYS FOLLOWING RECEIPT BY THE SELLER OF THE CANCELLATION NOTICE.

TO CANCEL THIS TRANSACTION, MAIL OR DELIVER A SIGNED COPY OF THIS CANCELLATION NOTICE OR ANY OTHER WRITTEN NOTICE, OR SEND A TELEGRAM TO *(name of respondent)*, AT *(address of respondent's place of business)* NOT LATER THAN MIDNIGHT OF *(date)*.

I(WE) HEREBY CANCEL THIS TRANSACTION. (EACH PURCHASER MUST SIGN THIS NOTICE.)

(Date)

(Signature of Purchaser)

2. Before furnishing copies of the above "Notice of Right of Cancellation" to the purchaser, complete both copies by entering the name of the respondent, the address of the respondent's place of business, the date of the transaction, the contract number and the date by which the purchaser may give notice of cancellation, but in no event may such date be earlier than the tenth business day following the date of the transaction.

3. Where a timely notice of cancellation is received and said notice is not properly signed, and respondents do not intend to honor the notice, immediately notify the purchaser by certified mail, return receipt requested, enclosing the notice, informing the purchaser of his error and stating clearly and conspicuously that a notice signed by the purchaser must be mailed by midnight of the seventh business

day following the purchaser's receipt of the mailing if the purchaser is to obtain a refund.

4. Where the signature of prospective purchaser is solicited during the course of a sales presentation, inform each person orally, at the time he signs the contract, of his right to cancel as stated in paragraph II.D. of this order.

5. Include clearly and conspicuously in each contract for the sale of respondents' land the following statement in 12-point boldface type:

PURCHASER HAS THE RIGHT TO CANCEL THE CONTRACT, WITHOUT ANY PENALTY OR OBLIGATION, AT ANY TIME PRIOR TO MIDNIGHT OF THE TENTH BUSINESS DAY AFTER THE DATE OF THIS CONTRACT. SEE THE ATTACHED "NOTICE OF RIGHT OF CANCELLATION" FOR AN EXPLANATION OF THIS RIGHT.

6. Within 10 business days after the receipt of a timely notice of cancellation signed by a purchaser, refund all payments made under the contract and cancel and return any negotiable instrument executed by the purchaser in connection with the contract.

E. Whenever respondents provide prospective purchasers with a contract for the sale of land by mailing said contract directly to such purchasers:

1. Include clearly and conspicuously in each contract for the sale of respondents' land the following statement in 12-boldface type:

THIS OFFER OF LAND TO YOU WILL REMAIN OPEN FOR THIRTY CALENDAR DAYS FROM THE DATE OF YOUR RECEIPT OF THE CONTRACT, AND WE WILL ACCEPT ANY CONTRACT MAILED TO US WITHIN SAID THIRTY DAY PERIOD.

2. Honor any contract which is signed and mailed to respondents by purchaser within thirty calendar days from the date purchaser received it.

F. Furnish any report required by federal or state law to be furnished to a purchaser of respondents' land at or before the signing of a contract, and all materials required to be furnished by this order, with the first written materials or during the first contact which the prospective purchaser has with respondents or any of their agents or employees.

G. Inform all prospective purchasers that home financing may not be available, and that a bank located near the subdivision should be consulted prior to the purchase of land if the purchaser intends to build a house on that land.

H. Whenever respondents offer a refund contingent upon the purchaser taking a company-guided inspection tour or making a

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registered inspection of the property in which the purchaser's lot is located:

1. Provide the purchaser three business days after taking said tour or making said inspection within which to request a refund.
2. Include in any contract, in immediate proximity to the provision setting forth the availability of a refund upon the completion of a company-guided inspection tour or registered inspection of the property, the following statements:
 - a. YOU, THE PURCHASER(S), HAVE THE RIGHT TO CANCEL THIS TRANSACTION IF YOU TAKE THE COMPANY-GUIDED TOUR OR MAKE A REGISTERED INSPECTION OF THE PROPERTY AND NOTIFY THE COMPANY PRIOR TO MIDNIGHT OF THE THIRD BUSINESS DAY AFTER THE DATE OF SUCH TOUR OR INSPECTION.
 - b. SELLER WILL *NOT* REIMBURSE THE PURCHASER(S) FOR ANY EXPENSES INCURRED BY THE PURCHASER(S) IN TRAVELLING TO THE PROPERTY IN ORDER TO TAKE THE TOUR OR INSPECTION.
3. Furnish each purchaser at the completion of the tour or inspection a completed form in duplicate, captioned "NOTICE OF CANCELLATION" which shall contain in at least 10-point boldface type the following statements:

NOTICE OF CANCELLATION

Date of company-guided
inspection tour or registered
inspection of property

Contract number

YOU MAY CANCEL YOUR CONTRACT WITHOUT ANY PENALTY OR OBLIGATION, AT ANY TIME PRIOR TO MIDNIGHT OF THE THIRD BUSINESS DAY AFTER THE ABOVE DATE.

IF YOU CANCEL, ANY PAYMENTS MADE BY YOU UNDER THE CONTRACT WILL BE RETURNED WITHIN 10 BUSINESS DAYS FOLLOWING RECEIPT BY THE SELLER OF YOUR CANCELLATION NOTICE.

TO CANCEL YOUR CONTRACT, MAIL OR DELIVER A SIGNED COPY OF THIS CANCELLATION NOTICE OR ANY OTHER WRITTEN NOTICE, OR SEND A TELEGRAM TO: *(name of respondent)*, AT *(address of respondent's place of business)* NOT LATER THAN MIDNIGHT OF *(date)*.

I (WE) HEREBY CANCEL THE CONTRACT. (EACH PURCHASER MUST SIGN THIS NOTICE.)

(Date)

(Purchaser's signature)

4. Before furnishing the purchaser copies of the "Notice of Cancellation" set forth in paragraph II.H. of this order, complete both copies by entering the name of the respondent and the address of its place of business, the date of the company-guided inspection tour or the registered inspection of the property, and the date by which the purchaser may give notice of cancellation, but in no event shall that date be earlier than the third business day following the date of said tour or inspection.

5. Where a timely notice of cancellation is received purportedly in accordance with the requirements of this paragraph of this order, but where said notice is not properly signed, and respondents do not intend to honor the notice, immediately notify the purchaser by certified mail, return receipt requested, enclosing the notice, informing the purchaser of this error and stating clearly and conspicuously that a notice signed by the purchaser must be mailed by midnight of the seventh day following the purchaser's receipt of the mailing if the purchaser is to obtain a refund.

6. Orally inform the purchaser at the time the contract is signed and at the time the tour is taken or the inspection is registered of this cancellation right.

7. Provide an additional notice of cancellation as prescribed in subparagraph 3 above to purchasers not on a tour and purchasers who withdraw from tours, (1) who have completed their registration inspections, (2) who are invited to remain in the area and (3) who meet again with respondents or their agents. Said notice shall be provided to these purchasers on the day of the last such meeting. The notice shall be completed as required by subparagraph 4. above except the date by which the purchaser may give notice of cancellation shall not be earlier than the third business day following the date of the last such meeting.

For the purpose of determining the date after which the cancellation period shall begin to run, the termination date of the tour shall be controlling for all purchasers on a tour. The termination date of the tour for any purchaser who withdraws from a tour shall be the date he notifies respondents or their agents of his decision. For purchasers not on a tour, the date of the registered inspection shall be controlling.

III

It is further ordered, That in the event that any respondent transfers all or a substantial part of its subdivision land to any other person, partnership or corporation, or transfers all or part of its ownership interest in any or all of its wholly-owned subsidiaries, respondents shall require the transferee to file promptly with the Commission a written agreement to be bound by all the terms of this order including this one; *provided,* that, if respondents wish to present to the Commission any reasons why said order should not apply in its present form to said transferee, they shall submit to the Commission a written statement setting forth said reasons prior to the consummation of said succession or transfer.

IV

It is further ordered, That respondents and respondents' officers, agents, representatives and employees, directly or through any corporation, partnership, subsidiary, division or other device, in connection with any extension (or arrangement for the extension) of consumer credit, or any advertisement to aid, promote or assist directly or indirectly any extension of consumer credit, as "advertisement" and "consumer credit" are defined in Regulation Z (12 CFR 226) of the Truth in Lending Act (15 U.S.C. 1601, *et seq.*), do forthwith cease and desist from:

A. Failing to:

1. State the number, amount and the due dates or period of payments scheduled to repay the indebtedness, and the sum of such payments, using the term "total of payments," as required by Section 226.8(b)(3) of Regulation Z.
2. Use the terms "cash downpayment," "total downpayment" and "unpaid balance of cash price," and to give the corresponding disclosures with those terms, as required by Section 226.8(c)(1), 226.8(c)(2) and 226.8(c)(3) of Regulation Z.
3. Use the term "deferred payment price," and to give the corresponding disclosure with that term, as required by Section 226.8(c)(8)(ii) of Regulation Z.
4. Use the term "finance charge," and to give the corresponding disclosure with that term, as required by Section 226.8(c)(8)(i) of Regulation Z.
5. Disclose the identity of the creditor as required by Section 226.8(a) of Regulation Z.
6. Make the disclosures in the manner required by Section 226.8(a)(1) or Section 226.8(a)(2) of Regulation Z.

7. Accurately disclose the "annual percentage rate," to the nearest quarter of one per cent, as required by Sections 226.5(b) and 226.8(b)(2) of Regulation Z.

8. Disclose whether a rebate of the unearned finance charges upon prepayment in full is available and, if available, the method of computation as required by Section 226.8(b)(7) of Regulation Z.

9. Use the term "annual percentage rate," as required by Section 226.8(b)(2) of Regulation Z.

10. Use the term "amount financed," as required by Section 226.8(c)(7) of Regulation Z.

11. In any transaction subject to Section 226.9 of Regulation Z, provide the customer with the notice of right to rescind, in the form and manner provided in that Section prior to consummation of the transaction.

B. Representing in any advertisement the amount of the downpayment or that no downpayment is required, the amount of an installment payment, or the period of repayment, or that there is no charge for credit, unless all of the following items are clearly and conspicuously stated, in terminology prescribed under Section 226.8 of Regulation Z, as required by Section 226.10(d)(2) of Regulation Z:

1. The cash price;
2. The amount of the downpayment required or that no downpayment is required, as applicable;
3. The number, amount and due dates or periods 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.

C. Stating in any advertisement the rate of a finance charge unless said rate is expressed as an annual percentage rate, using the term "annual percentage rate," as "finance charge" and "annual percentage rate" are defined in Section 226.2 and as required by Section 226.10(d)(1) of Regulation Z.

V

It is further ordered, That respondents deliver, by certified mail, a copy of this decision and order to each of their present or future salesmen and other employees, independent brokers and all others who sell or promote the sale of lots in respondents' subdivisions, and, as to each such person:

1. Provide them with a form, returnable to the respondents and to the Commission, clearly stating the intention to be bound by and to conform business practices to the requirements of this order.

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2. Inform them that respondents:
 - a. Shall not use any person, or the services of any person, to sell or promote the sale of real estate unless such person agrees to and does file notice with the respondents and the Commission that it will be bound by the provisions contained in this order.
 - b. Are obligated by this order to discontinue dealing with those persons who continue on their own the unfair or deceptive acts or practices prohibited by this order or fail to adhere to the affirmative requirements of this order.
3. Institute a program of continuing surveillance adequate to reveal whether their business operations conform to the requirements of this order.
4. Discontinue dealing with, using or using the services of such persons who:
 - a. Do not file notice with the respondents and Commission of their intent to comply with, and be bound by, this order.
 - b. Are revealed by the aforesaid program of surveillance or by any other means to have continued on their own the unfair or deceptive acts or practices prohibited by this order; provided that, if remedial action is taken, evidence of such dismissal or termination shall not be admissible in any proceeding brought to recover penalties for alleged violation of any other paragraph of this order.

VI

It is further ordered, That respondents notify the Commission at least thirty (30) days prior to any proposed change in the corporate and partnership respondents, such as dissolution, assignment or sale resulting in the emergence of a successor corporation or partnership, the creation or dissolution of subsidiaries or any other change in the corporations or partnerships which may affect compliance obligations arising out of this order.

Complaint

89 F.T.C.

IN THE MATTER OF

NATIONAL ACCOUNT SYSTEMS, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION AND THE TRUTH IN LENDING
ACTS*Docket C-2884. Complaint, Apr. 22, 1977 --- Decision, Apr. 22, 1977*

This consent order, among other things, requires a Chicago, Illinois, debt collection agency, and its subsidiaries, to cease using unfair and deceptive debt collection tactics; failing to disclose, in connection with the extension of consumer credit, such disclosures as are required by Federal Reserve Board regulations; and obtaining consumer credit information under false pretenses. Further, the order requires the return or destruction of unauthorized consumer credit information; the maintenance of certain prescribed records; and the establishment and maintenance of a surveillance program designed to insure the firm's employees comply with the provisions of the order.

Appearances

For the Commission: *Kenneth H. Donney.*

For the respondent: *Frank C. Christl, Gendel, Raskoff, Shapiro & Quittner*, Los Angeles, Calif.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, as amended, 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 National Account Systems, Inc., a corporation, NAS Creditors Service, Inc., a corporation, National Accounts System of Milwaukee, Inc., a corporation, A. B. Hartman, Inc., a corporation, and Diners Club, Inc., a corporation, hereinafter sometimes referred to as respondents, have violated the provisions of said Acts, 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:

DEFINITIONS

PARAGRAPH 1. For the purpose of this complaint the following definitions apply:

(a) "consumer reporting agency," "agency," and/or "agencies"---any person, partnership, corporation or association, which for monetary fees, dues or on a cooperative nonprofit basis, regularly