

IN THE MATTER OF

CRAFTMATIC/CONTOUR ORGANIZATION, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATIONS OF THE
FEDERAL TRADE COMMISSION ACT AND THE MAGNUSON-MOSS
WARRANTY—FEDERAL TRADE COMMISSION IMPROVEMENT ACT*Docket C-3156. Complaint, June 13, 1985—Decision, June 13, 1985*

This consent order requires two Trevoise, Pa. sellers of electric adjustable beds and their individual owner, among other things, to cease denying responsibility of their written warranties; failing to fully and promptly honor valid warranty claims; and failing to disclose relevant information concerning any other guarantor. The firms are required to clearly and prominently disclose in advertisements and promotional materials offering any product warranty, either the nature and extent of all material limitations and exclusions of the warranty (including any requirement that consumers seeking to obtain warranty performance are obliged to arrange for shipping and/or pay shipping charges) or a statement advising that the warranty contains major limitations and exclusions and should be consulted by the prospective buyer prior to purchase. The order also bars the companies from disseminating to their door-to-door sellers written promotional materials that do not contain copies of all written warranties offered and disclose to prospective buyers that the sales representative has copies of such warranties available for the consumer's inspection. The companies are further required to comply fully with the Pre-Sale Availability Rule; maintain specified records concerning warranty performance for a period of four years; and provide their current distributors and retailers with a copy of the order and the attached notice.

Appearances

For the Commission: *Rachel Miller.*

For the respondents: *Charles B. Chernofsky, New York City.*

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, amended, and of the Magnuson-Moss Warranty—Federal Trade Commission Improvement Act ("Warranty Act") and the implementing Rules promulgated under the Warranty Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Craftmatic/Contour Organization, Inc., Craftmatic Comfort Mfg. Corp., corporations, and Stanley Kraft, individually and as an officer and director of said corporations, respondents") have violated the provisions of those Acts and implementing Rules, 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:

I

PARAGRAPH 1. Respondent Craftmatic/Contour Organization, Inc., ("Craftmatic/Contour") is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania. Respondent Craftmatic/Contour is wholly-owned by below-named respondent Stanley Kraftsow. Respondent Craftmatic/Contour was formerly named Craftmatic Wholesale, Inc., ("CWI"), and was a wholly-owned subsidiary of Kraftsow Organization, Inc., ("KOI"), a Delaware corporation, which in turn was wholly-owned by respondent Stanley Kraftsow. On or about April 1, 1984, CWI was merged with KOI and with Contour Inc. of Pa. ("Contour"), a former Pennsylvania corporation and wholly-owned subsidiary of KOI. Prior to January 1, 1982, Contour was wholly-owned by respondent Stanley Kraftsow.

Respondent Craftmatic Comfort Mfg. Corp. ("CCM") is a corporation organized and existing under and by virtue of the laws of the Commonwealth of Pennsylvania. Prior to January 1, 1982, respondent CCM was wholly-owned by respondent Stanley Kraftsow. From January 1, 1982 to April 1, 1984, respondent CCM was a wholly-owned subsidiary of KOI. Since April 1, 1984, respondent CCM has been a wholly-owned subsidiary of Contour Chair-Lounge Co., Inc., a Missouri corporation whose common stock is wholly-owned by respondent Stanley Kraftsow.

The principal office and place of business of the two corporate respondents is 2500 Interplex Drive, Trevoze, PA.

Respondent Stanley Kraftsow ("Kraftsow") is an individual and is, and for some time past has been, the principal officer and director of respondents Craftmatic/Contour and CCM. Respondent Kraftsow was also the principal officer and director of Contour and KOI during their existence. Respondent Kraftsow also is and has been the sole shareholder of respondent Craftmatic/Contour and of Contour Chair-Lounge Co., Inc. Individually, or in concert with others, respondent Kraftsow has directed, controlled and formulated the business practices of respondents Craftmatic/Contour and CCM, and of Contour and KOI during their existence, including the acts and practices alleged in this complaint. His business address is the same as that of the corporate respondents. His residential address is 120 Surrey Road, Melrose Park, PA.

PAR. 2. Respondents Craftmatic/Contour and Kraftsow are now, and for some time past have been, engaged in the business of distribu-

tion, advertising, offering for sale and sale of electric adjustable beds and other products to the public directly and through distributors and retailers.

Respondent CCM was also engaged in such business until about January 1, 1982.

Respondents have cooperated and acted together as a single business entity in carrying out the acts and practices set forth below.

PAR. 3. In the course and conduct of their business, respondents have distributed, advertised, offered for sale or sold, or caused to be distributed, advertised, offered for sale or sold, respondents' products in more than 25 states. Respondents therefore have engaged in a substantial course of trade in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, as amended.

PAR. 4. In the course and conduct of their business, respondents have offered and advertised warranties identifying respondents as warrantor, both to consumers who purchase respondents' products from respondents or their representatives and to consumers who purchase respondents' products through distributors or retailers. Respondents' products are "consumer products," the warranties described herein are "written warranties" offered to "consumers" on "consumer products" distributed in "commerce," and respondents are "warrantors", as these terms are defined in the Warranty Act. Respondents' products are also "consumer products," the warranties described herein are "written warranties," and respondents are "warrantors," as defined in the Federal Trade Commission's Rule on Pre-Sale Availability of Written Warranty Terms ("Pre-Sale Availability Rule"), 16 C.F.R. 702, implementing Section 102(b)(i)(A) of the Warranty Act. Respondents have also offered for sale and sold their products for purposes other than resale or use in the ordinary course of the buyer's business, by means of personal solicitation by respondents or their sales representatives at the buyer's home. Respondents are therefore "sellers" of "consumer products" by means of "door-to-door sales," as these terms are defined in the Pre-Sale Availability Rule.

II

The allegations of Paragraphs One through Four above are incorporated by reference in this Part as though fully set forth below.

PAR. 5. By means of the offer and advertisement of said warranties, respondents have represented, directly or by implication, to consumers who purchase respondents' products through distributors, that respondents will fully and promptly honor the warranties extended to such consumers.

instances to honor, fully and promptly as represented, warranties issued to such consumers purchasing respondents' products through distributors.

PAR. 7. The acts and practices alleged in Paragraphs Four through Six above are misleading, deceptive and unfair.

PAR. 8. Further, respondents have expressly represented to consumers and to others that respondents have no obligation or legal liability under such warranties issued to consumers purchasing respondents' products through distributors.

PAR. 9. In truth and in fact, respondents are legally obligated to perform according to their warranties, under Section 107 of the Warranty Act and other laws. The representations alleged in Paragraph Eight above are therefore false, deceptive and misleading.

III

The allegations of Paragraphs One through Four above are incorporated by reference in this Part as though fully set forth below.

PAR. 10. Respondents have failed in numerous instances to make copies of their written warranties available, prior to sale, to prospective buyers of respondents' products from respondents or their sales representatives, as required by Section 702.3(d)(2) of the Pre-Sale Availability Rule.

PAR. 11. Respondents have failed in numerous instances to disclose, in their written materials that are shown to prospective buyers of respondents' products from respondents or their sales representatives, the availability of written warranties offered with respect to such products as required by Section 702.3(d)(2) of the Pre-Sale Availability Rule.

PAR. 12. Respondents have failed in numerous instances to provide to distributors of respondents' products copies of respondents' written warranties as needed for such distributors to comply with Section 702.3(d)(2) of the Pre-Sale Availability Rule. Such failure is in violation of Section 702.3(b)(1)(ii) of the Pre-Sale Availability Rule.

PAR. 13. Respondents' violations of the Pre-Sale Availability Rule as alleged in Paragraphs Ten through Twelve above violate the Warranty Act, and, by virtue of Section 110(b) of that Act, violate Section 5(a)(1) of the Federal Trade Commission Act as well.

IV

The allegations of Paragraphs One through Four are incorporated by reference in this Part as though fully set forth below.

PAR. 14. Respondents' warranties have contained provisions obli-

gating consumers seeking warranty performance to return the defective product or component for repair or replacement. Typical and illustrative of such provisions is the following:

If you believe that you have a claim under this Limited Warranty, you should . . . deliver back to the [selling] dealer the mattress or foundation. This Warranty does not include any responsibility for transportation of the said mattress or foundation, which will be the responsibility of the customer.

By means of such provisions, all costs and efforts of dismantling, packaging, shipping both directions and reassembly have been made the responsibility of the consumer. This obligation is a material term of respondents' warranties.

PAR. 15. Respondents have advertised certain of their warranties' terms in written materials provided or shown to prospective purchasers at or before sale. Typical and illustrative of such advertising is the following:

COIL SPRING MATTRESS COMES WITH 15-YEAR LIMITED WARRANTY. If during the first year after original delivery there should be any factory defect in material or workmanship, Craftmatic will repair or replace it free of charge for parts and labor. Between the second and fifteenth year, we will replace your mattress with a new one, making a prorata charge for the months beyond the first twelve after it had been first delivered. So far as we know, this is the most liberal guarantee of any manufacturer in the country.

These materials fail to disclose the obligation described in Paragraph Fourteen above to return a defective item at the consumer's cost.

PAR. 16. By means of the materials described in Paragraph Fifteen above, respondents have represented directly or by implication that the stated terms are a true and complete statement of the material warranty benefits and obligations offered by respondents as to respondents' mattresses.

PAR. 17. In truth and in fact, the stated terms as described in Paragraph Fifteen above are not a true and complete statement of the material warranty benefits and obligations offered by respondents as to respondents' mattresses. Therefore the representation alleged in Paragraphs Fifteen and Sixteen above is false and deceptive.

PAR. 18. The acts and practices as alleged herein all have the capacity and tendency to mislead members of the purchasing public.

PAR. 19. The acts and practices as alleged herein are all to the prejudice and injury of the public and constitute unfair and deceptive acts or practices in or affecting commerce, in violation of Section 5(a) of the Federal Trade Commission Act. The acts and practices as alleged herein are continuing and will continue in the absence of the

U. S. District Court

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 Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Magnuson-Moss Warranty—Federal Trade Commission Improvement Act and the Federal Trade Commission Act; and

The respondents, their attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the 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, and having duly considered the comments filed thereafter by interested persons pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent Craftmatic/Contour Organization, Inc., ("Craftmatic/Contour") is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania. Respondent Craftmatic/Contour is wholly-owned by below-named respondent Stanley Kraftsow. Respondent Craftmatic/Contour was formerly named Craftmatic Wholesale, Inc., ("CWI"), and was a wholly-owned subsidiary of Kraftsow Organization, Inc., ("KOI"), a Delaware corporation, which in turn was wholly-owned by respondent Stanley Kraftsow. On or about April 1, 1984, CWI was merged with KOI and with Contour Inc. of Pa. ("Contour"), a former Pennsylvania corporation and wholly-owned subsidiary of KOI. Prior to January 1, 1982, Contour was wholly-owned by respondent Stanley Kraftsow.

Respondent Craftmatic Comfort Mfg. Corp. ("CCM") is a corpora-

tion organized and existing under and by virtue of the laws of the Commonwealth of Pennsylvania. Prior to January 1, 1982, respondent CCM was wholly-owned by respondent Stanley Kraftsow. From January 1, 1982 to April 1, 1984, respondent CCM was a wholly-owned subsidiary of KOI. Since April 1, 1984, respondent CCM has been a wholly-owned subsidiary of Contour Chair-Lounge Co., Inc., a Missouri corporation whose common stock is wholly-owned by respondent Stanley Kraftsow.

The principal office and place of business of the two corporate respondents is 2500 Interplex Drive, Trevose, PA.

Respondent Stanley Kraftsow ("Kraftsow") is an individual and is, and for some time past has been, the principal officer and director of respondents Craftmatic/Contour and CCM. Respondent Kraftsow was also the principal officer and director of Contour and KOI during their existence. Respondent Kraftsow also is and has been the sole shareholder of respondent Craftmatic/Contour and of Contour Chair-Lounge Co., Inc. Individually, or in concert with others, respondent Kraftsow has directed, controlled and formulated the business practices of respondents Craftmatic/Contour and CCM, and of Contour and KOI during their existence, including the acts and practices alleged in this complaint. His business address is the same as that of the corporate respondents. His residential address is 120 Surrey Road, Melrose Park, PA.

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

The definition of *commerce* contained in Section 4 of the Federal Trade Commission Act, 15 U.S.C. 44, shall apply to this order.

The definitions of *written warranty*, *consumer*, and *consumer product* contained in Section 101 of the Magnuson-Moss Warranty Act ("Warranty Act"), 15 U.S.C. 2301, shall apply to this order except as noted below.

The definitions of *consumer product*, *written warranty*, *seller*, *door-to-door sale*, and *prospective buyer* contained in the Federal Trade Commission's Rule on Pre-Sale Availability of Written Warranty Terms ("Pre-Sale Availability Rule"), 16 C.F.R. 702, implementing Section 102(b)(1)(A) of the Warranty Act, shall apply to Part IV of this

I

It is ordered, That respondents Craftmatic/Contour Organization, Inc., and Craftmatic Comfort Mfg. Corp., corporations, and Stanley Kraftsow, individually and as an officer and director of said corporations, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the distribution, advertising, offering for sale or sale of any bed or other consumer product in or affecting commerce, do forthwith cease and desist from representing, directly or by implication, that any such product carries a written warranty, if that warranty is offered or issued by anyone other than a respondent, its successor or assign, without:

a. Disclosing, clearly and prominently with such representation, that the warranty is not offered or issued by any respondent, its successor or assign; and

b. Identifying, clearly and prominently with such representation, who does offer the warranty.

II

It is further ordered, That respondents, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering or issuance of any written warranty with respect to any consumer product distributed, advertised, offered for sale or sold in or affecting commerce, do forthwith cease and desist from:

a. Denying that respondents, their successors and assigns are responsible for performance of such written warranty; and

b. Failing to honor and satisfy, fully and within a reasonable time, every valid claim arising under such written warranty;

Provided, That, if any respondent, its successor or assign designates any representative to perform duties under a written warranty, that respondent or its successor or assign and that representative may allocate among themselves costs for warranty performance in any manner consistent with the requirements of Section 107 of the Warranty Act, 15 U.S.C. 2307, but such designation or allocation shall not relieve respondents, their successors and assigns, and their officers, agents, representatives, and employees of their direct obligation to honor and satisfy, fully and within a reasonable time, every valid claim arising under the written warranty, and

Provided further, That, if any such product is offered for sale or sold

with a warranty that clearly and prominently identifies the selling dealer as the sole warrantor obligated to honor the warranty, and if the selling dealer for that product is not a respondent, its successor or assign, then this provision of the order shall not apply to that warranty on that product.

III

It is further ordered, That respondents, their successors and assigns, and their officers, agents, representatives and employees, within thirty (30) days after receiving notice of a request for such satisfaction, shall honor and satisfy fully every valid claim arising under any outstanding written or implied warranty offered or issued by any respondent, its successor or assign with respect to any adjustable bed or chair, or component or accessory thereof, in or affecting commerce, if that claim was originally lodged with any distributor, retailer or respondent, its successor or assign, orally or in writing, prior to the date of service of this order; and, upon concluding reasonably and in good faith that any person requesting such satisfaction for such a claim is not entitled to all or part of the relief requested under any applicable written or implied warranty, and upon choosing to deny the request in whole or in part based upon such conclusion, shall send to the requester a written notice explaining the denial and the reasons therefor (a signed statement from the requester, or from another person with such knowledge, that such claim was lodged prior to the date of service of this order, shall be sufficient evidence of such lodging for purposes of this order provision); *provided,* that, if any respondent, its successor or assign designates any representative to perform duties under any warranty, that respondent or its successor or assign and that representative may allocate among themselves costs for warranty performance in any manner consistent with the requirements of Section 107 of the Warranty Act, 15 U.S.C. 2307, but such designation or allocation shall not relieve respondents, their successors and assigns, and their officers, agents, representatives, and employees of their direct obligation to honor and satisfy claims and provide notice of denials as specified herein.

IV

It is further ordered, That respondents, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in con-

any consumer product in or affecting commerce, do forthwith cease and desist from:

a. Failing to give to every buyer of any such consumer product in a door-to-door sale, prior to or upon execution of the sale, a copy of every written warranty offered or issued with respect to that consumer product, *provided*, that, giving to a buyer a copy of a sales contract with such a written warranty printed clearly and legibly on the reverse side, and with a clear and prominent reference on the face to the warranty on the reverse side, shall satisfy this requirement as to that warranty for that buyer.

b. Disseminating to any door-to-door seller any written materials intended to be shown to any prospective buyer of any such consumer product in a door-to-door sale offer, that fail to contain:

i. Copies of every written warranty offered or issued with respect to that consumer product; and

ii. A clear and prominent disclosure that the sales representative has copies of such warranties, which may be inspected by the prospective buyer at any time during the sales presentation.

c. Failing to comply fully with the Pre-Sale Availability Rule, as amended from time to time.

V

It is further ordered, That respondents, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the preparation, approval or dissemination of any advertising or promotional material that is mailed, shipped or shown to any consumer and that describes any written warranty offered or issued with respect to any consumer product distributed, advertised, offered for sale or sold in or affecting commerce, do forthwith cease and desist from failing to disclose, clearly and prominently, either:

a. The nature and extent of all material limitations and exclusions of the warranty, including any requirement that consumers arrange or pay any charge for shipping, or pay a servicer or truck travel or similar charge, in order to obtain performance under the warranty; or

b. The following:

i. That there are other major limitations and exclusions of the warranty and that customers should consult the warranty before making a purchase; and

ii. Where any such material describes the warranty as free of charge for parts and labor and the warranty requires any consumer to arrange or pay any charge for shipping, or to pay a servicer or truck travel or similar charge, in order to obtain performance under the warranty: the fact that there may be costs for shipping or such other requirement.

VI

It is further ordered, That respondents, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, do forthwith cease and desist from requiring any consumer who purchased any adjustable bed, bed component, or bed accessory prior to the date of service of this order to arrange or pay any charge for shipping, or to pay any servicer or truck travel or similar charge, in order to obtain performance under any written warranty.

VII

It is further ordered, That respondents shall, within thirty (30) days of the date of service of this order, send to each current distributor and retailer of respondents' consumer products, a copy of this order together with the attached notice.

VIII

It is further ordered, That respondents and their successors and assigns shall maintain for at least four (4) years after the date of each record's generation, and upon request shall make available to the Federal Trade Commission for inspection and copying, the following records as to each consumer who purchases a consumer product with a written warranty offered or issued by any respondent, its successor or assign, or its officer, agent, representative or employee, directly or through any corporation, subsidiary, division or other device:

- a. The name and address of the consumer;
- b. The name of the dealer from whom the product is purchased; and
- c. For each request for service or other action under any such written warranty or under any implied warranty, and for each complaint concerning any such written warranty or any implied warranty, whether submitted in writing or orally:
 - i. A description of the problem, the action requested, the firm or

firms receiving the request or complaint, and the date or dates of receipt;

ii. A copy or description of all replies given to the request or complaint, and by whom; a description of all actions taken, and by whom, in response to the request or complaint; and the date of each such reply and of each such action;

iii. A description of any payment sought from a consumer, the reason for seeking the payment, and the amount received from the consumer, if any; and

iv. Any later service requested or complaint made by or on behalf of the consumer concerning the product.

IX

It is further ordered, That respondents shall distribute a copy of this order to all of respondents' divisions and to all present and future officers, agents, representatives, and employees of respondents having responsibilities with respect to the subject matter of this order.

X

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

XI

It is further ordered, That respondent Stanley Kraftsow shall promptly notify, as described herein, the Commission of any discontinuance of his present business or employment and of his affiliation with any new business or employment, and that, for a period of ten (10) years from the date of service on him of this order, respondent Stanley Kraftsow shall promptly notify, as described herein, the Commission of each affiliation with a new business or employment whose activities include the offering or issuance of written warranties, or of his affiliation with any new business or employment in which his own duties and responsibilities involve offering or issuance of written warranties. Such notice shall include respondent Stanley Kraftsow's new business address and a statement of the nature of the business or

employment in which respondent Kraftsow is newly engaged as well as a description of respondent Kraftsow's duties and responsibilities in connection with the business or employment.

XII

It is further ordered, That respondents shall, within sixty (60) days after service upon them of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

ATTACHMENT TO ORDER

TO ALL OUR DISTRIBUTORS AND DEALERS

Craftmatic has recently signed an agreement with the Federal Trade Commission concerning our warranty policies. A copy of that agreement is attached for your information. The discussion below summarizes the agreement and tells you how the agreement affects you.

WARRANTY PERFORMANCE ON WARRANTIES NOW IN THE FIELD

We have agreed that we are responsible for making sure these warranties are fully and promptly honored, even where one of you has sold the product. Under the terms of our arrangement with you, you are responsible for providing full and prompt performance of these warranties. You should understand that when you handle these warranties, you do so as our representative, and we are required to make sure they are handled properly. We will keep you informed of all our policies and procedures for handling claims for these warranties.

We have also agreed to make sure that any outstanding warranty claims from any of your customers are properly taken care of within 30 days after we learn of such a claim. Please help us handle these claims, for any customer in your area.

In addition we have agreed that certain records about warranty performance under the outstanding Craftmatic warranty will be kept. You need to keep these records for your customers who receive that warranty. We are sure that these records will assist you in performing under the warranty and accounting for your performance should that ever become necessary. As to each customer you have sold, please keep:

The customer's name and address.

A record of each request for service or other action under warranty, and of each warranty complaint, regardless of whether it is made orally or in writing, including:

A description of the problem, what the customer asked for, and the date you received the request or complaint;

A copy or description of every reply made, and the date;

A description of every action taken about the matter, and the date;

Any charge (whether or not collected): the reason for the charge and the amount collected;

If the request or complaint was received or handled in any way by Craftmatic (Pennsylvania) or any other firm, similar records of such receipt and handling; and

Any later requests for service or complaints by or on behalf of that customer.

Keep in the file any letters you receive and a copy of any letters you send.

ISSUANCE OF FUTURE WARRANTIES

As you know, under our agreement with you, you have always been responsible to your customers for full and prompt performance of their warranties. We have decided that in the future any warranties on the products you sell will clearly state they are offered not by Craftmatic but by you. You will be responsible to your customers for performance of those warranties. We will only warrant the products we sell to our retail customers.

We plan to rewrite the warranty to make it clear that the warrantor, the only firm obligated to honor the warranty, is the selling dealer in each case. A sample copy of the revised warranty document is enclosed.

Of course, if you have a problem with a claim for warranty performance that you cannot handle comfortably, please feel free to contact us. We will still do our utmost to help you resolve the problem.

We also suggest that you continue to keep records like those described above for customers to whom you offer your warranty. Such records can assist you in ongoing performance of your warranty.

WARRANTY AVAILABILITY BEFORE SALE

We have agreed to give a copy of our warranty, at the sales presentation, to every customer who buys from us.

We have also agreed to include a copy of our warranty in every pitch book we send you, and to add to the sales pitch and sales materials we send you a statement that the warranty is available for customers to read before buying our products. You should know that, under federal law, door-to-door sellers must bring copies of any warranties on the products they sell to the sales presentation, and must disclose, both orally and in any written materials, that the customer can read the warranties before buying. We have enclosed revised sales materials that include the statement and the warranty itself. You should let us know how many sets of materials you need. Also, you must be sure to make these disclosures in every sales call.

ADVERTISING AND BROCHURE

We are revising our advertisements and sales materials to delete any impression that we offer a warranty on the products sold by selling dealers other than us. We have agreed that, if we make any reference in these materials to a warranty, we will make it clear who actually gives the warranty. You should be careful also, in your sales presentations, not to let your customers think that the warranty is from Craftmatic.

Also, we have agreed that, if we discuss a warranty in our brochure, New Dimensions in Bedroom Luxury, we will disclose any warranty term requiring customers with warranty claims to return the defective part at their cost. This would apply to any other mailers that discuss a warranty as well. We have enclosed samples of the revised brochure.

TRANSPORTATION CHARGES

We have agreed not to charge for transportation or truck travel for any warranty

service needed, for beds now in the field. Since you do warranty service under our old warranty, this means that you will not be able to make those charges either. Beds sold after the date of this agreement are not subject to this restriction.

[signature]

Enclosures

IN THE MATTER OF

ALLIED CORPORATION, ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF SEC. 5 OF
THE FEDERAL TRADE COMMISSION ACT AND SEC. 7 OF THE CLAYTON ACT

Docket C-3157. Complaint, June 17, 1985—Decision, June 17, 1985

This consent order with Allied Corporation and King Radio Corporation requires Allied to divest the King Weather Radar Line to Narco Avionics, Inc., or another Commission-approved purchaser. With certain exceptions, the order also prohibits Allied, for a period of ten (10) years, from acquiring, without the Commission's prior approval, any interest in any company that manufactures or sells general aviation weather detection systems in the United States.

Appearances

For the Commission: *Stephen W. Riddell, Sandra G. Wilkof, Laurie T. Baulig and John C. Weber.*

For the respondents: *Brian D. Forrow*, in-house counsel, Morris Township, N.J. and *C. Benjamin Crisman, Jr. and Peter E. Greene, Skadden, Arps, Slate, Meagher & Flom*, Washington, D.C., for respondent Allied Corporation, and *Owen M. Johnson and Paul B. Hewitt, Akin, Gump, Strauss, Hauer & Feld*, Washington, D.C., for respondent King Radio Corporation.

COMPLAINT

The Federal Trade Commission, having reason to believe that respondent, Allied Corporation ("Allied"), has acquired respondent, King Radio Corporation ("King"), both corporations subject to the jurisdiction of the Commission, and that such acquisition constitutes a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. 45 and that a proceeding in respect thereof would be in the public interest, hereby issues its complaint, stating its charges as follows:

I. DEFINITIONS

1. For purposes of this complaint, the following definitions shall apply:

(a) *General aviation aircraft* means those aircraft predominantly