

Complaint

120 F.T.C.

IN THE MATTER OF

STERLING CONNECTIONS, INC., ET AL.

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

Docket C-3609. Complaint, Aug. 11, 1995--Decision, Aug. 11, 1995

This consent order requires, among other things, the video dating service franchises to properly and accurately disclose the annual percentage rate ("APR") and other credit terms of financed memberships, as required by the federal Truth in Lending Act, and requires the franchises to establish adjustment refund programs to compensate its past and current members who overpaid finance charges.

Appearances

For the Commission: *Stephen Cohen, Judy Nixon and David Medine.*

For the respondents: *Thomas J. Greenan, Schwabe, Williamson, Ferguson & Burdell, Seattle, WA.*

COMPLAINT

The Federal Trade Commission, having reason to believe that Great Expectations Creative Management, Inc. has violated the Federal Trade Commission Act ("FTC Act"), and that Great Expectations, Inc., GEC Illinois, Inc., GEC Tennessee, Inc., GEC Alabama, Inc., Great Southern Video, Inc., New West Video Enterprises, Inc., San Antonio Singles of Texas, Inc., Austin Singles of Texas, Inc., Great Expectations of Baltimore, Inc., Great Expectations of Washington, D.C., Inc., Great Expectations of Washington, Inc., Sterling Connections, Inc., Private Eye Productions, Inc., Great Expectations - Columbus, Inc., JAMS Financial, Inc., V.L.P. Enterprises, Inc., APM Enterprises - Minn Inc., KGE, Inc., G.E.C.H., Inc., MWVE, Inc., GREATEX Denver, Inc., Sun West Video, Inc., and TRIAAC Enterprises, Inc. (hereinafter sometimes referred to collectively as "Great Expectations") have violated the Truth in Lending Act ("TILA"), its implementing Regulation Z, and the FTC Act, and it appearing to the

Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues this complaint, and alleges as follows:

PARAGRAPH 1. Great Expectations Creative Management, Inc. ("GECM") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 16830 Ventura Blvd., Suite P, Encino, CA.

PAR. 2. Great Expectations, Inc. ("GEI") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its corporate office at 16830 Ventura Blvd., Suite P, Encino, CA, and its principal places of business located at 1640 S. Sepulveda Blvd., Suite 100, Los Angeles, CA, 17207 Ventura Blvd., Encino, CA, and 450 N. Mountain, Suite B, Upland, CA.

PAR. 3. GEC Illinois, Inc. ("GE Illinois") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Illinois, with its office and principal place of business located at 1701 E. Woodfield Dr., Suite 400, Schaumburg, IL.

PAR. 4. GEC Tennessee, Inc. ("GE Tennessee") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 5552 Franklin Rd., Suite 200, Nashville, TN.

PAR. 5. GEC Alabama, Inc. ("GE Alabama") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Alabama, with its office and principal place of business located at 7529 S. Memorial Pkwy., Suite C & D, Huntsville, AL.

PAR. 6. Great Southern Video, Inc., doing business as Great Expectations of Dallas ("GE Dallas"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its office and principal place of business located at 14180 Dallas Pkwy., Suite 100, Dallas, TX.

PAR. 7. New West Video Enterprises, Inc., doing business as Great Expectations of Houston ("GE Houston"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its office and principal place of business located at 50 Briarhollow, Suite 100, Houston, TX.

PAR. 8. San Antonio Singles of Texas, Inc., doing business as Great Expectations of San Antonio ("GE San Antonio"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its corporate office at 10497 Town & Country Way, Suite 214, Houston, TX, and its principal place of business located at 8131 I.H. 10 West, Suite 225, San Antonio, TX.

PAR. 9. Austin Singles of Texas, Inc., doing business as Great Expectations of Austin ("GE Austin"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Texas, with its corporate office at 10497 Town & Country Way, Suite 214, Houston, TX, and its principal place of business located at 9037 Research Blvd., Suite 130, Austin, TX.

PAR. 10. Great Expectations of Baltimore, Inc. ("GE Baltimore") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Virginia, with its office and principal place of business located at 40 York Rd., Suite 500, Towson, MD.

PAR. 11. Great Expectations of Washington, D.C., Inc. ("GE DC") is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Maryland, with its office and principal place of business located at 8601 Westwood Center Dr., Vienna, VA.

PAR. 12. Great Expectations of Washington, Inc., doing business as Great Expectations of Raleigh/Durham ("GE Raleigh"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Maryland, with its office and principal place of business located at 3714 Benson Dr., Suite 200, Raleigh, NC.

PAR. 13. Sterling Connections, Inc., doing business as Great Expectations of Seattle ("GE Seattle"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Oregon, with its office and principal place of business located at 305 108th Ave., N.E., Suite 205, Bellevue, WA.

PAR. 14. Private Eye Productions, Inc., doing business as Great Expectations of Portland ("GE Portland"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Oregon, with its office and principal place of business located at 5531 S.W. Macadam Ave., Suite 225, Portland, OR.

PAR. 15. Great Expectations - Columbus, Inc. ("GE Columbus") is a corporation organized, existing, and doing business under and by

virtue of the laws of the state of Ohio, with its corporate office at 11835 W. Olympic Blvd., Suite 490, Los Angeles, CA, and its principal place of business located at 1103 Schrock Rd., Suite 101, Columbus, OH.

PAR. 16. JAMS Financial, Inc., doing business as Great Expectations of Milwaukee ("GE Milwaukee"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Wisconsin, with its corporate office at 11835 W. Olympic Blvd., Suite 490, Los Angeles, CA, and its principal place of business located at 16650 W. Bluemound, Suite 100, Brookfield, WI.

PAR. 17. V.L.P. Enterprises, Inc., doing business as Great Expectations of San Diego ("GE San Diego"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 3465 Camino Del Rio South, Suite 300, San Diego, CA.

PAR. 18. APM Enterprises - Minn Inc., doing business as Great Expectations of Minneapolis ("GE Minneapolis"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Illinois, with its office and principal place of business located at 3300 Edinborough Way, Suite 300, Edina, MN.

PAR. 19. KGE, Inc., doing business as Great Expectations of Sausalito, Great Expectations of Mountain View, and Great Expectations of Walnut Creek (collectively referred to as "GE-SFA"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its corporate office at 1943 Landings Dr., Mountain View, CA, and its principal places of business located at 2401 Marinship Way, Suite 100 Sausalito, CA, 2085 Landings Dr., Mountain View, CA, and 1280 Civic Dr., Suite 300, Walnut Creek, CA.

PAR. 20. G.E.C.H., Inc., doing business as Great Expectations of Cherry Hill ("GE Cherry Hill"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of New Jersey with its office and principal places of business located at One Cherry Hill, Suite 600, Cherry Hill, NJ.

PAR. 21. MWVE, Inc., doing business as Great Expectations of Cleveland ("GE Cleveland"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Ohio,

with its office and principal place of business located at 6300 Rockside Rd., Suite 200, Cleveland, OH.

PAR. 22. GREATEX Denver, Inc., doing business as Great Expectations Video Dating, Ltd. ("GE-Denver"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Washington, with its office and principal place of business located at 3773 Cherry Creek North Dr., Suite 140, Denver, CO.

PAR. 23. Sun West Video, Inc., doing business as Great Expectations for Singles ("GE Phoenix"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Arizona, with its office and principal place of business located at 5635 N. Scottsdale Rd., Suite 190, Scottsdale, AZ.

PAR. 24. TRIAAC Enterprises, Inc., doing business as Great Expectations of Sacramento ("GE Sacramento"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 2277 Fair Oaks Blvd., Suite 195, Sacramento, CA.

RESPONDENTS' COURSE OF BUSINESS

PAR. 25. GECM is a video dating franchisor. It sells and services franchise operations throughout the United States. As part of its regular course of business, GECM has created and disseminated retail installment contracts (Exhibits 1 and 2) to the franchises described in paragraphs two through twenty-four. The GECM retail installment contracts purport to incorporate the disclosures required by the TILA.

PAR. 26. Respondents Great Expectations are video dating franchises. Respondents have provided financing to their members using retail installment contracts such as Exhibits 1 and 2 to disclose the terms of the financing.

PAR. 27. GECM's TILA disclosure (Exhibit 1) contains erroneous instructions for calculating and disclosing the finance charge and contains a pre-printed annual percentage rate ("APR") of 18%. In addition, Exhibit 1 fails to make the TILA disclosures in the format required by the TILA and fails to identify the creditor as required by the TILA.

PAR. 28. In 1988, GECM learned from its auditor that the calculations and disclosures contained in Exhibit 1 did not comply with the TILA. Nevertheless, it continued to disseminate Exhibit 1

to its franchisees and failed to notify them of the erroneous calculations and disclosures.

PAR. 29. In late 1990, GECM created a new retail installment contract, which also purported to incorporate the disclosures required by the TILA and which contained a preprinted APR of 19.6%. (Exhibit 2). Exhibit 2 fails to identify the creditor as required by the TILA and fails to provide the information required by the TILA in the itemization of the amount financed. Furthermore, GECM has disseminated Exhibit 2 to its franchisees but has failed to inform them to discontinue using the erroneous calculation and disclosure instructions that it had previously supplied in Exhibit 1.

PAR. 30. Respondents Great Expectations are creditors as that term is defined in the TILA and Regulation Z.

PAR. 31. The acts and practices of respondents Great Expectations and GECM alleged in this complaint have been and are in or affecting commerce, as "commerce" is defined in Section 4 of the FTC Act.

COUNT I

PAR. 32. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 33. Respondent GECM has furnished its franchises with TILA disclosures (Exhibits 1 and 2) that, on their face, violated the TILA. When used by respondents Great Expectations, Exhibits 1 and 2 have resulted in false and misleading disclosures of APRs and finance charges to consumers in violation of Section 5 of the FTC Act.

PAR. 34. In the course and practice of its business as described in paragraphs twenty-five through twenty-nine, and paragraph thirty-three, respondent GECM has provided respondents Great Expectations with the means and instrumentalities to violate the Section 5 of the FTC Act.

PAR. 35. The practices described in paragraph thirty-four constitute unfair or deceptive acts or practices in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

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COUNT II

PAR. 36. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 37. Respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to accurately calculate and disclose the APR.

PAR. 38. The practice described in paragraph thirty-seven by respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Sections 107(a) and (c) of the TILA, 15 U.S.C. 1606(a) and (c), and Sections 226.18(e) and 226.22 of Regulation Z, 12 CFR 226.18(e) and 226.22.

COUNT III

PAR. 39. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 40. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Columbus, GE Milwaukee, GE-SFA, GE Cleveland, GE Phoenix, GE Sacramento, and GE San Diego have furnished their members with TILA disclosures that have failed to accurately calculate and disclose the finance charge.

PAR. 41. The practice described in paragraph forty by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Columbus, GE Milwaukee, GE-SFA, GE Cleveland, GE Phoenix, GE Sacramento, and GE San Diego violates Section 106 of the TILA, 15 U.S.C. 1605, and Sections 226.4 and 226.18(d) of Regulation Z, 12 CFR 226.4 and 226.18(d).

COUNT IV

PAR. 42. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 43. Respondents GE Dallas, GE Houston, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, and GE Phoenix have furnished their members with TILA disclosures that have failed to disclose the finance charge more conspicuously than any other disclosure except the APR and the creditor's identity.

PAR. 44. The practice described in paragraph forty-three by respondents GE Dallas, GE Houston, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, and GE Phoenix violates Section 122(a) of the TILA, 15 U.S.C. 1632(a), and Section 226.17(a)(2) of Regulation Z, 12 CFR 226.17(a)(2).

COUNT V

PAR. 45. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 46. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to segregate the disclosures required by the TILA from all other information provided in connection with the transaction, including the itemization of the amount financed.

PAR. 47. The practice described in paragraph forty-six by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(b)(1) of the TILA, 15 U.S.C. 1638(b)(1), and Section 226.17(a)(1) of Regulation Z, 12 CFR 226.17(a)(1).

COUNT VI

PAR. 48. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 49. Respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE

Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have failed to accurately disclose the itemization of the amount financed.

PAR. 50. The practice described in paragraph forty-nine by respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a) of the TILA, 15 U.S.C. 1638(a), and Section 226.18(c) of Regulation Z, 12 CFR 226.18(c).

COUNT VII

PAR. 51. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 52. Respondents GEI, GE Illinois, GE, Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have failed to disclose the identity of the creditor.

PAR. 53. The practice described in paragraph fifty-two by respondents GEI, GE Illinois, GE Tennessee, GE Alabama, GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE-SFA, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(1) of the TILA, 15 U.S.C. 1638(a)(1), and Section 226.18(a) of Regulation Z, 12 CFR 226.18(a).

COUNT VIII

PAR. 54. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 55. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix,

and GE Sacramento have furnished their members with TILA disclosures that have failed to provide a description of the amount financed.

PAR. 56. The practice described in paragraph fifty-five by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(8) of the TILA, 15 U.S.C. 1638(a)(8), and Section 226.18(b) of Regulation Z, 12 CFR 226.18(b).

PAR. 57. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide a description of the finance charge.

PAR. 58. The practice described in paragraph fifty-seven by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(8) of the TILA, 15 U.S.C. 1638(a)(8), and Section 226.18(d) of Regulation Z, 12 CFR 226.18(d).

PAR. 59. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide a description of the APR.

PAR. 60. The practice described in paragraph fifty-nine by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(8) of the TILA, 15 U.S.C. 1638(a)(8), and Section 226.18(e) of Regulation Z, 12 CFR 226.18(e).

PAR. 61. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their

members with TILA disclosures that have failed to provide the total of payments and/or a description of the total of payments.

PAR. 62. The practice described in paragraph sixty-one by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(5) and/or (8) of the TILA, 15 U.S.C. 1638(a)(5) and/or (8), and Section 226.18(h) of Regulation Z, 12 CFR 226.18(h).

PAR. 63. Respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore, GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento have furnished their members with TILA disclosures that have failed to provide the total sale price and/or a description of the total sale price.

PAR. 64. The practice described in paragraph sixty-three by respondents GE Dallas, GE Houston, GE San Antonio, GE Austin, GE Baltimore/ GE DC, GE Raleigh, GE Seattle, GE Portland, GE Minneapolis, GE Cherry Hill, GE Cleveland, GE Denver, GE Phoenix, and GE Sacramento violates Section 128(a)(7) and/or (8) of the TILA, 15 U. S. C. 1638 (a) (7) and/or (8) , and Section 226.18(j) of Regulation Z, 12 CFR 226.18(j).

COUNT IX

PAR. 65. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 66. Respondents GE Dallas, GE Houston, GE Phoenix, GE San Antonio, GE Austin, GE Baltimore, GE DC, and GE Raleigh have failed to include set-up or other fees that are charged only to consumers who finance the costs of their memberships in the finance charge and the annual percentage rate disclosed to the consumer. They have also failed to exclude these finance charges from the amount financed that is disclosed to consumers.

PAR. 67. The practices described in paragraph sixty-six by respondents GE Dallas, GE Houston, GE Phoenix, GE San Antonio, GE Austin, GE Baltimore, GE DC, and GE Raleigh violate Sections 106, 107, and 128(a) of the TILA, 15 U.S.C. 1605, 1606, and 1638(a), and Sections 226.4(b), 226.22, and 226.18(b), (d), and (e) of Regulation Z, 12 CFR 226.4(b), 226.22, and 226.18(b), (d), and (e).

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COUNT X

PAR. 68. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 69. Respondent GE San Diego has furnished its members with TILA disclosures that have failed to disclose the APR, the finance charge, the amount financed, the total of payments, and the total sales price.

PAR. 70. The practices described in paragraph sixty-nine by respondent GE San Diego violate Section 128(a) of the TILA, 15 U.S.C. 1638(a), and Section 226.18 of Regulation Z, 12 CFR 226.18.

COUNT XI

PAR. 71. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 72. Respondent GE Houston has furnished its members with TILA disclosures that have failed to disclose the amount financed.

PAR. 73. The practice described in paragraph seventy-two by respondent GE Houston violates Section 128(a) of the TILA, 15 U.S.C. 1638(a), and Section 226.18(b) of Regulation Z, 12 CFR 226.18(b).

COUNT XII

PAR. 74. Paragraphs one through thirty-one are incorporated herein by reference.

PAR. 75. Respondents GEI, GE Alabama, GE Illinois, GE Portland, GE Dallas, GE Houston, GE Cleveland, GE Phoenix, GE San Antonio, GE Austin, GE Seattle, GE Denver, GE Columbus, GE Milwaukee, GE San Diego, GE Minneapolis, GE SFA, GE Cherry Hill, GE Sacramento, GE DC, GE Baltimore, and GE Raleigh have disclosed understated APRs and finance charges to consumers that have resulted in consumers paying more in financing costs than the amount to which they originally agreed.

PAR. 76. The practices described in paragraph seventy-five are unfair or deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. 45(a).

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EXHIBIT 1

Expectations

RETAIL INSTALLMENT CONTRACT

Name - Last		First	Middle	Age
[Redacted]		[Redacted]	[Redacted]	26
Present Address			City	State
[Redacted]			[Redacted]	CO
Social Security #	Home Phone	How Long At This Address		How Long in Area
[Redacted]	[Redacted]	5 YRS		26 YRS
Employed By	Work Phone	Present Position		
[Redacted]	[Redacted]	[Redacted]		
Income At Sources	Monthly	Driver's License #		
[Redacted]	[Redacted]	[Redacted]		
Primary Bank Accounts	Checking ☒ Savings ☐ Balance			
[Redacted]	[Redacted]			
Credit Reference - Banks, Finance Co., Credit Unions	Open ☐ Closed ☐ [Redacted]			
[Redacted]	[Redacted]			
2 FIRST INTERSTATE Bank	Open ☐ Closed ☐ [Redacted]			

The undersigned Great Expectations (Seller) hereby sells, and the undersigned Buyer, hereinafter referred to as "Member," purchases subject to the provisions of this contract, a MEMBERSHIP in Great Expectations and promises to pay to Great Expectations its share of the TOTAL PAYMENTS (Box 8) in accordance with the Payment Schedule hereinafter set forth.

DESCRIPTION OF GOODS AND SERVICES SOLD:

Interviewing, Testing & Evaluating, Processing & Coding, Background check (if necessary), for the purpose of bringing in contact with the purchaser (client) suitable individuals with similar likes and dislikes, this description intended to be partial only. The purchaser acknowledges receipt of application form, which is made a part hereto as though set out at length.

READ CAREFULLY AND SIGN ONLY WHEN COMPLETELY UNDERSTOOD

Buyer has considered and evaluated the terms of membership as set forth in Great Expectations Membership Agreement dated

10/31/91 and requests financing of the balance due. Acceptance of the terms of both agreements renders null and void any Buyer's right to cancel previously provided.

I understand that my failure to participate in Great Expectations does not release me of my obligation to pay this contract in full regardless of the circumstances. I understand that by signing this Agreement I am a Member of Great Expectations.

MEMBER SIGNATURE X [Redacted]

NOTICE TO MEMBER: Upon request, Great Expectations must provide or make available for your examination a statement of fact showing how the partial refund of the time price charge is to be computed if any balance of the contract should be prepaid. Member (Buyer) and Great Expectations (Seller) agree that the terms and conditions on the Member's Contract for Membership constitute a part of this contract and are incorporated herein by reference. If due to delinquency, it is necessary to refer this account for collection, then the balance due shall include actual attorney's fee and court costs. In the event Member fails to pay any installment payment when due, the entire balance then owing shall immediately become due and payable, without notice, at the option of Great Expectations or assignee, and Great Expectations shall not be required to provide any services to Member until Member's payment account is made current. If more than one person signs this contract then their obligation shall be joint and several.

ITEMIZATION OF THE AMOUNT FINANCED

1. Cash Price	2. Other	3. Down Payment	4. Paid (11/4/91) Second Interview	5. Other Payments Due (11/30/91)	6. Amt. Financed (Unpaid Bal. incl Cash Price \$5)	7. Finance Charge (6% Bal. x 14% x 15) no. of payments	8. Total Payments (Bal. + 7)	9. Deferred Payment Price (Bal. + 8)	10. BALANCE	11. ANNUAL PERCENTAGE RATE 18%	12. PAYMENT SCHEDULE:
1595	0	300	100	100	1095	82.13	1777.13	1677.13	1595	18%	Successor monthly installments of \$ 235
											Each commencing 12/15/91, and on the same day of each month thereafter, until fully paid, no balloon payment
											DELINQUENCY AND COLLECTION CHARGES: Buyer shall pay or be deemed to pay any delinquency payment when the same shall become due and such failure to pay shall constitute for a period of more than ten (10) days, then in addition to the amount of such delinquency installment payment the Buyer shall pay to Seller, as delinquency and collection charge, an amount equal to 1% of such payment, except that such charge shall not exceed \$5.00 or be less than \$1.00.
											PREPAYMENT DEBIT: Buyer may prepay any part of the unpaid balance without penalty and the payment in full shall be entitled to a refund of the unearned portion of the Finance Charge computed under the simple interest rate. However, there will be no refund of Finance Charge of \$10.00 and no refund if the unearned charge is less than \$1.00.

DIVIDE by number of payments to calculate each installment and summarize on #11.

Notice to Buyer: (1) Do not sign this agreement before you read it or if it contains any blank spaces to be filled in. (2) You are entitled to a completely filled-in copy of this agreement. (3) You can prepay the full amount due under this agreement at any time. (4) If you agree to pay off in advance the full amount due, the amount which is outstanding will be furnished upon request.

SELLER Great Expectations

Signature of Member X [Redacted]

Business Address: 3773 Cherry Creek N. Dr. #400
City & State: Denver CO 8007

Member (Buyer) acknowledges receipt of an exact copy of this instrument at the time of its execution. Member (Buyer) further acknowledges that the terms in this contract were explained in full and that he has read the disclosures contained here prior to signing the contract.

Authorized Signature: [Redacted]
Notarized: [Redacted]

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EXHIBIT 2



RETAIL INSTALLMENT CONTRACT

DATE _____

Name _____ First _____ Middle _____ Age _____

Present Address _____ City _____ State _____ Zip _____

Social Security # _____ Home Phone _____ How Long At This Address _____ Date of Birth _____

Employed By Name and Address _____ Work Phone _____ Present Position _____

Home All Sources Monthly _____ Annual _____ Driver's License # _____

Primary Bank Accounts: Savings ☐ Name _____ Checking ☐ Name _____

ACCOUNT # _____

The undersigned Great Expectations (Seller) hereby sells, and the undersigned buyer (Member) purchases, subject to the provisions of this CONTRACT, in full, I understand that by signing this Contract, and the Membership Agreement, I am a Member of Great Expectations.

DESCRIPTION OF GOODS AND SERVICES SOLD: Interviewing, Evaluating, Processing & Coding, Background Check (if necessary) and Pay Video Library for the purpose of giving Member access to a Video Library of potentially suitable individuals with similar likes and dislikes. This is intended to be partial only.

READ CAREFULLY AND SIGN ONLY WHEN COMPLETELY UNDERSTOOD

I have considered and evaluated the terms of membership as set forth in the Great Expectations Membership Agreement dated _____ and hereby purchasing the same. I understand that my failure to participate in Great Expectations does not relieve me of my obligation to pay in full. I understand that by signing this Contract, and the Membership Agreement, I am a Member of Great Expectations.

MEMBER SIGNATURE

NOTICE TO MEMBER: Upon request, Great Expectations must provide or make available for your examination a statement or table showing how I return of the same price charge is to be computed if any balance of the Contract should be prepaid. Member (Buyer) and Great Expectations (Seller) the terms and conditions of the Great Expectations Membership Agreement constitute a part of this Contract and are incorporated herein by reference. In the event Member fails to pay any installment payment when due, the entire balance (less any unearned Finance Charge) then owing shall become due and payable, without demand or notice, at the option of Great Expectations or assignee, and Great Expectations shall not be required to any services to Member until Member's payment account is made current.

PURCHASE PRICE: \$ _____ payable in accordance with the Statement of Disclosure below.

PAYMENT SCHEDULE: Member's payments hereunder shall be in equal consecutive monthly installments commencing on the _____ day of _____ month after execution of this Contract and continuing on the same day of each month thereafter until paid in full. Interest on the unpaid balance shall be both prior and after maturity.

FEDERAL TRUTH IN LENDING DISCLOSURES
(Statement of Disclosure)

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	AMOUNT FINANCED	TOTAL OF PAYMENTS	QUOTA SALES PRICE
The rate or rates on the cash or cash equivalent	The dollar amount of the cash or cash equivalent	The amount of cash or cash equivalent	The amount of cash or cash equivalent	The amount of cash or cash equivalent
19.6%	\$	\$	\$	\$

You the buyer have the right to receive all this time on completion of the purchase. If you do not want to, you may return the purchase. Your payment schedule will be:

Payment Schedule	Member's
Amount of payment	Amount of payment
1	1

DELINQUENCY AND COLLECTION CHARGES: If Buyer shall fail or neglect to pay any installment payment when the same shall become due and such failure or neglect shall continue for a period of more than ten (10) days, then in addition to the amount of such delinquent installment payment the Buyer shall pay to Seller, as a delinquency and collection charge, an amount equal to 5% of such installment except that such charge shall not exceed \$5.00 or be less than \$1.00.

PREPAYMENT: If you pay off early, you will not have to pay a penalty and you may be entitled to a refund of part of the finance charge.

See your Great Expectations Membership Agreement for any additional information about non-payment, default, any required repayment in full before the schedule date and prepayments, refunds and penalties.

ITEMIZATION OF AMOUNT FINANCED

1. Total Cash Price	2. Less Downpayment	3. Amount Financed	4. Finance Charge	5. Total of Payments
\$	\$	\$	\$	\$

Whichever of any default by the Seller shall not operate as a major default.

Should the buyer default in the payment of any installment hereunder that pay to Seller all costs and reasonable costs of collection or including reasonable Attorney fees and disbursements.

Buyer will pay to the Seller a \$10.00 charge for every delinquent installment.

Should any term herein be invalid or unenforceable, the remaining to be unaffected by such finding.

NOTICE TO BUYER:

1. Do not sign this agreement before you read it or if it contains any blank spaces to be filled in.
2. You are entitled to a completely filled in copy agreement.
3. You can prepay the full amount due under this agreement at any time.
4. If you desire to pay off in advance the full amount of amount which is outstanding will be furnished on request.

Member (Buyer) acknowledges receipt of an exact copy of this contract and its execution. Member (Buyer) further acknowledges that in this Contract were completed and filled in and that she has read and understood the same prior to signing the Contract.

Seller: GREAT EXPECTATIONS

Business Address _____

City & State: _____

Authorized Signature: _____

Signature of Member: _____

Routing: White—FINANCE; Pink—SELLER; Gold—CUSTOMER

Exhibit

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of Sterling Connections, Inc., Private Eye Productions, Inc., and GREATEX Denver, Inc., corporations, and respondents having been furnished thereafter with a copy of the draft of complaint that 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 violations of Section 5(a) of the Federal Trade Commission Act and the Truth in Lending Act; and

The respondents, their attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by 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 respondents have violated the said Acts, and that a 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 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Sterling Connections, Inc., doing business as Great Expectations of Seattle ("GE Seattle"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Oregon, with its office and principal place of business located at 305 108th Ave., N.E., Suite 205, Bellevue, WA.

2. Private Eye Productions, Inc., doing business as Great Expectations of Portland ("GE Portland"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Oregon, with its office and principal place of business located at 5531 S.W. Macadam Ave., Suite 225, Portland, OR.

3. GREATEX Denver, Inc., doing business as Great Expectations of Denver ("GE-Denver"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Washington with its office and principal place of business located at 3773 Cherry Creek North Dr., Suite 140, Denver, CO.

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

ORDER

I.

It is ordered, That:

A. Respondents GE Seattle, GE Portland, and GE Denver, 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 of credit, do forthwith cease and desist from failing to accurately calculate and disclose the annual percentage rate, as required by Sections 107(a) and (c) of the Truth in Lending Act ("TILA"), 15 U.S.C. 1606(a) and (c), and Sections 226.18.(e) and 226.22 of Regulation Z, 12 CFR 226.18(e) and 226.22;

B. Respondents GE Seattle, GE Portland, and GE Denver, 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 of credit, do forthwith cease and desist from failing to segregate the disclosures required by the TILA from all other information provided in connection with the transaction, including from the itemization of the amount financed, as required by Section 128(b)(1) of the TILA, 15 U.S.C. 1638(b)(1), and Section 226.17(a) of Regulation Z, 12 CFR 226.17(a);

C. Respondents GE Seattle, GE Portland, and GE Denver, 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 of credit, do forthwith cease and desist from failing to make all disclosures in the manner, form, and amount required by Sections 122 and 128(a) of the TILA,

15 U.S.C. 1632 and 1638(a), and Sections 226.17 and 226.18 of Regulation Z, 12 CFR 226.17 and 226.18;

D. Respondents GE Seattle, GE Portland, and GE Denver, 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 of credit, do forthwith cease and desist from failing to comply with the TILA, 15 U.S.C. 1601 *et seq.*, and Regulation Z, 12 CFR 226.

II.

REFUND PROGRAM

It is further ordered, That:

A. Within thirty (30) days following the date of service of this order, respondents shall:

1. For each TILA disclosure relating to any executory contract or any contract consummated within two years prior to August 2, 1994, determine to whom respondents disclosed on the original TILA disclosure an annual percentage rate that was miscalculated by more than one eighth of one percentage point below the annual percentage rate determined in accordance with Section 226.22 of Regulation Z, 12 CFR 226.22, or that disclosed a finance charge that was miscalculated by more than one dollar below the finance charge determined in accordance with Section 226.4 of Regulation Z, 12 CFR 226.4, so that each such person will not be required to pay a finance charge in excess of the finance charge actually disclosed or the dollar equivalent of the annual percentage rate actually disclosed, whichever is lower, plus a tolerance of one eighth of one percentage point;

2. Calculate a lump sum refund and a monthly payment adjustment, if applicable, in accordance with Section 108(e) of the TILA, 15 U.S.C. 1607(e);

3. Mail a refund check to each eligible consumer in the amount determined above, along with Attachment 1; and

4. Provide the Federal Trade Commission with a list of each such consumer, the amount of the refund, the number of payments

refunded, the amount of adjustment for future payments and the number of future payments to be adjusted;

B. No later than fifteen (15) days following the date of service of this order, respondents shall provide the Federal Trade Commission with the name and address of three independent accounting firms, with which they, their officers, employees, attorneys, and agents, have no business relationship. Staff for the Division of Credit Practices of the FTC shall then have the sole discretion to choose one of the firms ("independent agent") and so advise respondents;

C. Within thirty (30) days following the date of adjustments made pursuant to this section, respondents shall direct the independent agent to review a statistically-valid sample of refunds. Respondents shall provide the Federal Trade Commission with a certified letter from the independent agent confirming that respondents have complied with Part II A of this order;

D. All costs associated with the administration of the refund program and payment of refunds shall be borne by the respondents.

III.

It is further ordered, That respondents, their successors and assigns, shall maintain for at least five (5) years from the date of service of this order and, upon thirty (30) days advance written request, make available to the Federal Trade Commission for inspection and copying all documents and other records necessary to demonstrate fully their compliance with this order.

IV.

It is further ordered, That respondents, their successors and assigns, shall distribute a copy of this order to any present or future officers and managerial employees having responsibility with respect to the subject matter of this order and that respondents, their successors and assigns, shall secure from each such person a signed statement acknowledging receipt of said order.

V.

It is further ordered, That respondents, for a period of five (5) years following the date of service of this order, shall promptly notify the Commission at least thirty (30) days prior to any proposed change in their corporate structure such as dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or affiliates, or any other change in the corporation that may affect compliance obligations arising out of the order.

VI.

It is further ordered, That respondents shall, within one hundred and eighty (180) days of the date of service 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 1

Dear Great Expectations Customer:

As part of our settlement with the Federal Trade Commission for alleged violations of the Truth in Lending Act, we are sending you the enclosed refund check in the amount of \$*****. The refund represents the amount you were overcharged as a result of errors made by Great Expectations in calculating or disclosing the annual percentage rate or finance charge.

(In addition, your future monthly payments have been reduced. Starting immediately, your monthly payments will be \$*****.)

We regret any inconvenience this may have caused you.

Great Expectations

IN THE MATTER OF

PHYSICIANS GROUP, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3610. Complaint, Aug. 11, 1995--Decision, Aug. 11, 1995*

This consent order prohibits, among other things, a Virginia physicians' group, and its seven board members from attempting to engage in an agreement or agreeing with other physicians to negotiate or refuse to negotiate with a third party payor. In addition, it requires dissolution of the group within 120 days.

Appearances

For the Commission: *Mark J. Horoschak, Rendell A. Davis and William Baer.*

For the respondents: *Heman A. Marshall, Francis Casola and Michael Urbanski, Woods, Rogers & Hazelgrove, Roanoke, VA.*

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that the respondents named in the caption hereof have violated and are violating the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint, stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Physicians Group, Inc. ("respondent PGI") is a non-stock corporation organized, existing, and doing business under and by virtue of the laws of the Commonwealth of Virginia, with its principal place of business in Danville, Virginia. For purposes of this proceeding, its address is c/o Dr. Edwin Harvie, Jr., 101 Holbrook Street, Danville, Virginia.

PAR. 2. The individual respondents named in the caption above (hereinafter "physician respondents") are the members of the Board of Directors of respondent PGI, are physicians licensed to practice