

Grand Boulevard, Detroit, Michigan. Respondent manufactures vehicles and offers such vehicles for sale or lease to consumers.

2. Respondent has disseminated advertisements to the public that promote consumer leases, as the terms "advertisement" and "consumer lease" are defined in Section 213.2 of Regulation M, 12 CFR 213.2, as amended.

3. Respondent has disseminated advertisements to the public that promote credit sales and other extensions of closed-end credit in consumer credit transactions, as the terms "advertisement," "credit sale," and "consumer credit" are defined in Section 226.2 of Regulation Z, 12 CFR 226.2, as amended.

4. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. 44.

LEASE ADVERTISING

5. Respondent has disseminated or has caused to be disseminated consumer lease advertisements ("lease advertisements") for General Motors vehicles, including but not necessarily limited to the attached General Motors Exhibits A through D. General Motors Exhibits A, B, and C are television lease advertisements (attached in video and storyboard format). General Motors Exhibit D is a print lease advertisement. These advertisements contain the following statements:

A. [Audio:] "All this, just \$299 a month. The S-Blazer 2 year lease."
[Video:] "2 Years. \$299 a Month. \$1,260 Down." [The advertisement contains the following lease disclosure at the bottom of the screen in light-colored fine print superimposed on gray, moving water background, and accompanied by background sound and images: "SEE YOUR PARTICIPATING DEALER FOR QUALIFICATION DETAILS. Example based on \$22,847 MSRP incl. destination charge, 1st month & lease payment \$298.63, \$1260 down payment plus \$325 refundable security deposit for a total of \$1883.63 due at lease signing (incl. capitalized cost reduction). Tax, license, title fees and insurance extra. Mileage charge of 10 [cents] mile over 30,000. GMAC must approve lease. SEE YOUR PARTICIPATING DEALER FOR QUALIFICATION DETAILS. Total of monthly payments is \$7,167.12. Payments may be higher in AL, AR, CA, NY, TX, and VA. Option to purchase at lease end for \$16,022.82 is fixed at lease signing and varies by model, equip., level, usage and length of lease. Lessee pays for excessive wear and use." The fine print is displayed on two screens in blocks of at least five lines, each appearing for approximately 5 seconds.] (General Motors Exhibit A).

B. [Audio:] "... by leasing an Oldsmobile Achieva with air, anti-lock brakes and more for just \$209 a month."

[Video:] "\$209 per month/\$1075 Down."

[The advertisement contains the following lease disclosure at the bottom of the screen in white print superimposed over a light-colored moving background, and accompanied by background sound and images: "FIRST MONTH'S LEASE PAYMENT OF \$208.72, REFUNDABLE SECURITY DEPOSIT OF \$225 AND A \$1,075 CAPITALIZED COST REDUCTION FOR A TOTAL OF \$1,508.72 DUE AT LEASE SIGNING. TAX, LICENSE, TITLE, FEES, AND INSURANCE ARE EXTRA. GMAC MUST APPROVE LEASE. EXAMPLE BASED ON ACHIEVA S SEDAN: \$15,164 M.S.R.P., INCLUDING DESTINATION CHARGE. MONTHLY PAYMENTS BASED ON CAPITALIZED COST OF \$13,225.88 INCLUDING CAPITALIZED COST REDUCTION. TOTAL OF 48 MONTHLY PAYMENTS IS \$10,018.56. AMOUNT OF CAPITALIZED COST REDUCTION MAY BE SLIGHTLY HIGHER IN AL, AR, CA, NY, TX, AND VA. OPTION TO PURCHASE AT LEASE END FOR \$6,030.64. MILEAGE CHARGE OF 10 [CENTS] PER MILE OVER MILEAGE LIMIT. LESSEE PAYS FOR EXCESSIVE WEAR AND USE. PAYMENT BASED ON RESIDUALS IN EFFECT THROUGH MARCH 31, 1993. SEE YOUR PARTICIPATING DEALER FOR QUALIFICATION DETAILS." The fine print is displayed on two screens in blocks of at least 6 lines, each block appearing for approximately 4 seconds. The two screens containing this information are interrupted by two other screens that do not contain lease information.] (General Motors Exhibit B).

C. [Audio:] "And, it's all only \$289 a month."

[Video:] "\$289 36 MONTH GMAC SMARTLEASE"

[The advertisement contains a lease disclosure that describes additional lease costs and terms, including but not limited to a downpayment, a security deposit, a purchase option amount and other lease-end fees in an extremely small, blurred, dark blue print, superimposed over the dark-colored front of the advertised vehicle.

The fine print is displayed in a block of approximately 13 lines for approximately 2.5 seconds.] (General Motors Exhibit C).

D. "Two Summers, Two Winters, Two Springs, Two Falls. \$299 A Month."

[Bold but smaller]: "The S-Blazer 2-Year Lease. \$299 A Month. \$1350 Down." [The advertisement contains the following lease disclosure below a picture of the vehicle in white fine print superimposed over a black background: "\$299/month 24-month lease at participating dealers. Tax, license, title fees and insurance extra. Mileage charge of 10 cents per mile over 30,000. . . . \$23,075 M.S.R.P., including destination charge. First month's lease payment of \$298.45, \$1350 down payment, plus \$325 refundable security deposit for a total of \$1973.45 due at lease signing (includes capitalized cost reduction). Total of monthly payments is \$7162.80. . . . Option to purchase at lease end for \$16,173.30. . . . Lessee pays for excessive wear and use. . . ." (General Motors Exhibit D).

FEDERAL TRADE COMMISSION ACT VIOLATIONS COUNT I: MISREPRESENTATION IN LEASE ADVERTISING

6. Through the means described in paragraph five, respondent has represented, expressly or by implication, that the amount stated as "down" in respondent's lease advertisements is the total amount consumers must pay at lease inception to lease the advertised vehicles.

7. In truth and in fact, the amount stated as "down" in respondent's lease advertisements is not the total amount consumers must pay at lease inception to lease the advertised vehicles. Consumers must also pay additional fees beyond the amount stated as "down," such as the first month's payment and security deposit, at lease inception. Therefore, respondent's representation as alleged in paragraph six was, and is, false or misleading.

8. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

COUNT II: FAILURE TO DISCLOSE ADEQUATELY
IN LEASE ADVERTISING

9. In its lease advertisements, respondent has represented, expressly or by implication, that consumers can lease the advertised vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the monthly payment amount and/or amount stated as "down." These advertisements do not adequately disclose additional terms pertaining to the lease offer, including but not necessarily limited to a required security deposit and first month's payment due at lease inception. The existence of these additional terms would be material to consumers in deciding whether to lease a General Motors vehicle. The failure to disclose adequately these additional terms, in light of the representation made, was, and is, a deceptive practice.

10. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

COUNT III: CONSUMER LEASING ACT AND
REGULATION M VIOLATIONS

11. Respondent's lease advertisements, including but not necessarily limited to General Motors Exhibits A through D, state a monthly payment amount, the number of required payments, and/or an amount "down." The lease disclosures in these advertisements contain one or more of the following terms required by Regulation M: that the transaction advertised is a lease; the total amount of any payment such as a security deposit or capitalized cost reduction required at the consummation of the lease or that no such payments are required; the total of periodic payments due under the lease; a

statement of whether or not the lessee has the option to purchase the leased property and at what price and time or the method of determining the purchase-option price; and a statement of the amount or method of determining the amount of any liabilities the lease imposes upon the lessee at the end of the term.

12. The lease disclosures in respondent's television lease advertisements, including but not necessarily limited to General Motors Exhibits A, B, and C, are not clear and conspicuous because they appear on the screen in small type, against a background of similar shade, for a very short duration, with background sounds and images, and/or over a moving background. The lease disclosures in respondent's print lease advertisements, including but not necessarily limited to General Motors Exhibit D, are also not clear and conspicuous because they appear in small type.

13. Respondent's practices violate Section 184 of the Consumer Leasing Act, 15 U.S.C. 1667c, as amended, and Section 213.5(c) of Regulation M, 12 CFR 213.5(c), as amended.

CREDIT ADVERTISING

14. Respondent has disseminated or has caused to be disseminated credit sale advertisements ("credit advertisements") for General Motors vehicles, including but not necessarily limited to General Motors Exhibits E and F. General Motors Exhibits E and F are television credit advertisements (attached in video and storyboard format). These advertisements contain the following statements:

A. [Audio:] "Then we told them that Jimmy was only \$299 a month with a GMAC SmartBuy. [Consumer #6:] \$299 a month? [Consumer #7:] \$299 a month -- that's great. [Consumer #8:] A Jimmy like this for \$299 a month would be fantastic."

[Video:] "\$299 a month 36-Month GMAC SmartBuy."

[The advertisement contains the following credit disclosure in white print superimposed on a light-colored background, and accompanied by background sound and images: "Example based on Jimmy MSRP of \$20,498. 6.9% APR GMAC SMARTBUY FINANCING. For 36 months, 35 months at \$299.38 per month and final payment of \$9441.94. \$3350 down, actual down payment may vary. Tax, license, title fees and insurance extra. Purchaser may refinance the final payment, or with 30 days advance written notice sell the vehicle to GMAC at end of term and pay \$250 disposal fee plus any excess mileage and wear charges. Dealer financial participation may affect consumer cost. See your participating dealer for qualification details. You must take retail delivery out of dealer stock by 9/22/93." The fine print is displayed in a scrolling format of 11 lines for approximately 4 seconds.] (General Motors Exhibit E).

B. [Audio:] "Still waiting to buy a new Buick? Well don't. Buick's Model Year Close-Out is on. . . . Or get this great SmartBuy payment."
[Video:] "Still waiting to buy a new Buick? Well Don't. Buick's 1995 Model Year Close-Out. . . . Buick Regal SmartBuy \$249 per month 30 months/\$2000 down."
[The advertisement contains the following credit disclosure at the bottom of the screen in white print superimposed on a black background with a moving vehicle above the disclosure block and accompanied by background sound: "For cash back, you must take retail delivery from dealer stock by 11/30/95. SmartBuy on 1995 Regal Custom SE with 3800 engine. \$20,853 MSRP incl. destination charge for a monthly payment of \$248.67/mo. 30 mo. \$2000 cash down or trade-in value (\$3500 down payment less \$1500 customer cash back). First month's payment plus down payment trade-in value for total of \$3746.67 due at lease signing. Payment based on capitalized cost of _____. Tax, title, license, doc. fee extra. Must take retail delivery from dealer stock by October. 4, 1995. GMAC must approve the SmartBuy. Options at contract maturity: pay the final payment of \$11,677.68, refinance the final payment with GMAC, sell the vehicle to GMAC and remit \$250 disposal fee plus 15 cents/mile for mileage exceeding 30,000 miles for excessive wear and use. See participating Buick dealers for qualification details." The fine print is displayed in a scrolling format of 11 lines for approximately 4 seconds.] (General Motors Exhibit F).

FEDERAL TRADE COMMISSION ACT VIOLATIONS
COUNT IV: MISREPRESENTATION IN CREDIT ADVERTISING

15. Through the means described in paragraph fourteen, respondent has represented, expressly or by implication, that consumers can buy the advertised General Motors vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the monthly payment amount and/or amount stated as "down."

16. In truth and in fact, consumers cannot buy the advertised General Motors vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the monthly payment amount and/or amount stated as "down." Consumers are also responsible for a final balloon payment of several thousand dollars to purchase the advertised vehicles. Therefore, respondent's representation as alleged in paragraph fifteen was, and is, false or misleading.

17. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

COUNT V: FAILURE TO DISCLOSE ADEQUATELY
IN CREDIT ADVERTISING

18. In its credit advertisements, respondent has represented, expressly or by implication, that consumers can buy the advertised vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the monthly payment amount and/or amount stated as "down." These advertisements do not adequately disclose additional terms pertaining to the credit offer, including but not necessarily limited to a final balloon payment of several thousand dollars and the annual percentage rate. The existence of these additional terms would be material to consumers in deciding whether to buy a General Motors vehicle. The failure to disclose adequately these additional terms, in light of the representation made, was, and is, a deceptive practice.

19. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

COUNT VI: TRUTH IN LENDING ACT AND
REGULATION Z VIOLATIONS

20. Respondent's credit advertisements, including but not necessarily limited to General Motors Exhibits E and F, state a monthly payment amount and/or an amount "down." The credit disclosures in these advertisements contain the following terms required by Regulation Z: the annual percentage rate and the terms of repayment.

21. The credit disclosures in respondent's television credit advertisements, including but not necessarily limited to General Motors Exhibits E and F, are not clear and conspicuous because they appear on the screen in small type, against a background of similar shade, for a very short duration, in a rapid scrolling format, and/or with background sounds.

22. Respondent's practices violate Section 144 of the Truth in Lending Act, 15 U.S.C. 1664, as amended, and Section 226.24(c) of Regulation Z, 12 CFR 226.24(c), as amended.

Complaint

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EXHIBIT A

General Motors Exhibit A

VIDEO

(Black and white scene of man fishing. Red Blazer on rocks.)

[Super]:

Two Summers

Two Winters

Two Springs

Two Falls

[Super]:

All This

[Super]:

2 Years. \$299 a Month.

\$1,260 Down.

[Disclosure*]

*[First Screen]:

SEE YOUR PARTICIPATING DEALER FOR QUALIFICATION DETAILS. Example based on \$22,847 MSRP incl. destination charge, 1st month & lease payment \$298.63, \$1260 down payment plus \$325 refundable security deposit for a total of \$1883.63 due at lease signing (incl. capitalized cost reduction). Tax, license, title fees and insurance extra. Mileage charge of 10 [cents] mile over 30,000. GMAC must approve lease.

[Second Screen]:

SEE YOUR PARTICIPATING DEALER FOR QUALIFICATION DETAILS. Total of monthly payments is \$7,167.12. Payments may be higher in AL, AR, CA, NY, TX, and VA. Option to purchase at lease end for \$16,022.82 is fixed at lease signing and varies by model, equip., level, usage, and length of lease. Lessee pays for excessive wear and use.

AUDIO

(Background sound throughout)

Two Summers

Two Winters

Two Springs

Two Falls

All this, just \$299 a month.

The S-Blazer 2 year lease.

Why drive an imitation when you can drive the vehicle that originated the species?

Chevy S-Blazer

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EXHIBIT B

General Motors Exhibit B

VIDEO

[Title Card]:
Party On, Dude

(Running shot of Achieva S Sedan)
[Super]:
\$209 per month/\$1075 Down

[Disclosure*]
[Title Card]:
Excellent
[Title Card]:
Major Bummer
(Running shot of Achieva S Sedan)
[Super]:
\$209 a month/\$1075 Down.
[Disclosure**]
[Title Card]:
Most Excellent
[Title Card]:
Demand Better
[Title Card]:
Achieva by Oldsmobile

* FIRST MONTH'S LEASE PAYMENT OF \$208.72, REFUNDABLE SECURITY DEPOSIT OF \$225 AND A \$1,075 CAPITALIZED COST REDUCTION FOR A TOTAL OF \$1,508.72 DUE AT LEASE SIGNING. TAX, LICENSE, TITLE, FEES, AND INSURANCE ARE EXTRA. GMAC MUST APPROVE LEASE. EXAMPLE BASED ON ACHIEVA S SEDAN: \$15,164 M.S.R.P., INCLUDING DESTINATION CHARGE.
MONTHLY PAYMENTS BASED ON CAPITALIZED COST OF \$13,225.88 INCLUDING

** CAPITALIZED COST REDUCTION TOTAL OF 48 MONTHLY PAYMENTS IS \$10,018.56. AMOUNT OF CAPITALIZED COST REDUCTION MAY BE SLIGHTLY HIGHER IN AL, AR, CA,

AUDIO

(Background music throughout)
[Announcer]:
If your team wins tonight, you'll wanna celebrate.

Like by leasing an Oldsmobile Achieva with air, anti-lock brakes and more for just \$209 a month.

Of course, if your team loses, you'll probably be depressed, in which case you'll want to console yourself.
Like by leasing an Oldsmobile Achieva for just \$209 a month.

It's your choice.

NY, TX, AND VA. OPTION TO PURCHASE AT LEASE END FOR \$6,030.64. MILEAGE CHARGE OF 10 [CENTS] PER MILE OVER MILEAGE LIMIT. LESSEE PAYS FOR EXCESSIVE WEAR AND USE. PAYMENT BASED ON RESIDUALS IN EFFECT THROUGH MARCH 31, 1993.

See your participating dealer for qualification details.

EXHIBIT C

General Motors Exhibit C

VIDEO

(Consumer standing in front of Jimmy)

[Super and scrolling]:
1993 GMC Jimmy 4-Wheel Drive
Air Conditioning Automatic
Transmission AM/FM Stereo
Cassette Power Steering Power
Windows Power Door Locks

[Super]:
4 Wheel Anti-Lock Brakes

[Super and scrolling]:
4.3 Liter V6 Engine Fully
Independent Front Suspension

[Super]:
\$289 for 36 Month GMAC
SmartLease

AUDIO

(Background music throughout)

[Announcer]:
What would it take to get you to
look at a GMC Jimmy?

[Consumer]:
Compared to what?

[Announcer]:
Ford Explorer.

[Consumer]:
Okay Shoot.

This GMC Jimmy comes with 4-wheel drive, air, automatic transmission, AM/FM cassette, power steering, power windows and locks.

[Consumer]:
Gimme more.

[Announcer]:
The GMC Jimmy has 4 wheel anti-lock brakes, also standard.

[Consumer]:
No kidding?

[Announcer]:
And this GMC Jimmy comes with standard with a 4.3 Liter V6 and an independent suspension. Explorer? doesn't have it.

[Announcer]:
And it's all only \$289 a month.

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[Disclosure*]

* A down payment of \$1,562.90, plus first month's lease payment of \$289.00 and \$300 refundable security deposit for a total of \$2,151.90 due at lease signing. Tax, license, title fees and insurance extra. You must take retail delivery out of dealer stock by 12/31/92. GMAC must approve lease. Example based on 1993 Jimmy with an MSRP of \$23,661 including destination charge. Total of 36 monthly payments is \$10,404. Option to purchase at lease for \$13,274. Mileage charge of 10 cents per mile over 45,000 miles. Lessee pays for excessive wear and use. See your participating dealer for qualification details. Manufacturer's rebate not available under this program.

[Note: GM did not provide a storyboard for this advertisement and the disclosure in this ad were indecipherable when viewed on television. Therefore, staff used a storyboard from a virtually identical advertisement to fill in some of the indecipherable terms.]

[Consumer]:

Forget Ford, GMC Jimmy is the only way to go.

[Announcer]:

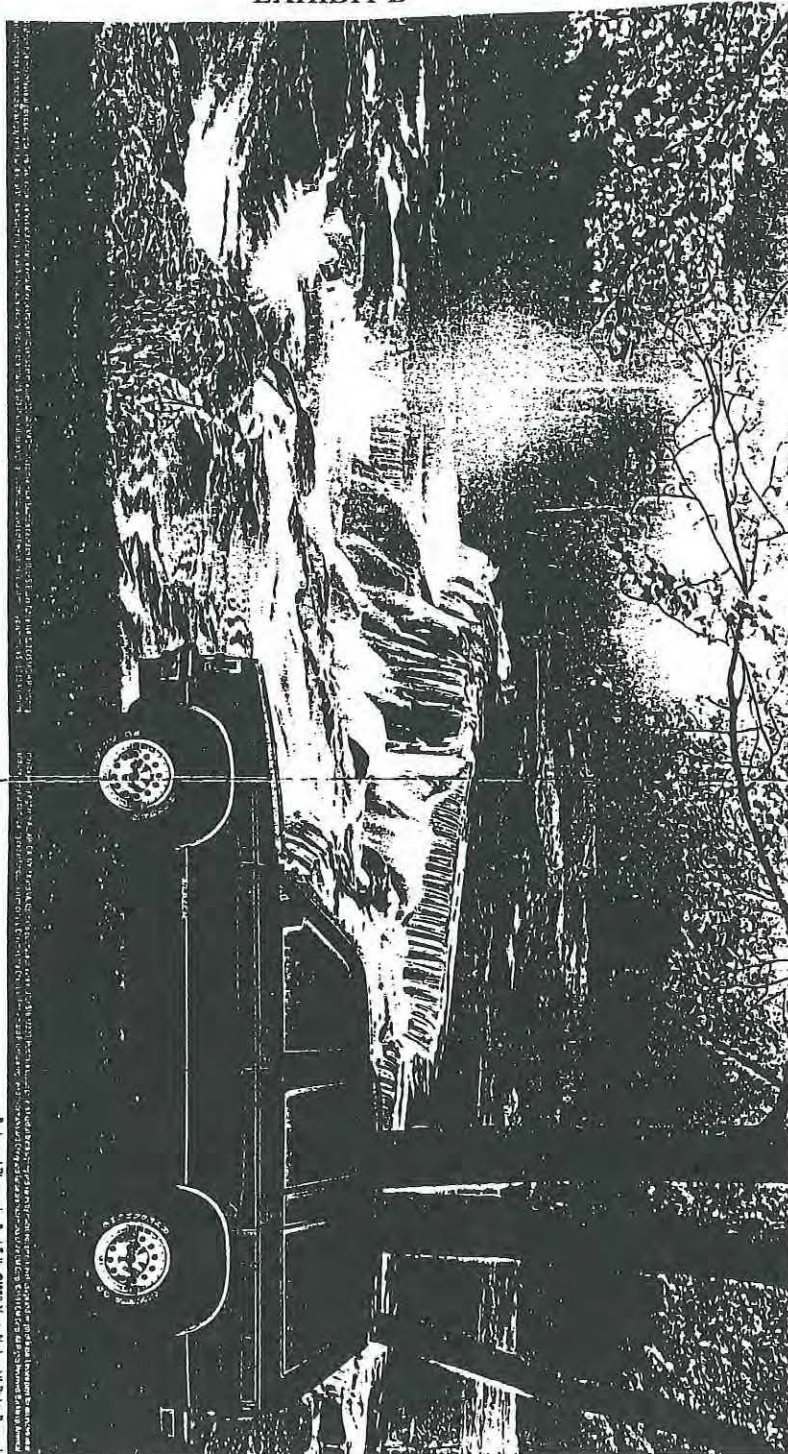
See your GMC truck dealer today.

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EXHIBIT D

TWO SUMMERS, TWO WINTERS, TWO SPRINGS, TWO FALLS. \$299 A MONTH.



The S-Blazer 2-Year Lease, \$299 A Month, \$150 Down. Whichever said, "You only go around once," was wrong. With the S-Blazer 2-Year Lease Plan, you go around twice. Two glorious years of travel and adventure in a '94 Chevy.

S-Blazer. Twice as big. With a 200 HP V-6, electronic anti-lock brakes, multi-bulb fog lights, 4WD, aluminum wheels, and power windows and locks. S-Blazer is not just

solid. It's built to go anywhere, do anything. S-Blazer gives you all this, and after just two years, it gives you something that's new to a lease your freedom. Make the most

two years the best years of your life. S-Blazer. Spend them in a Chevy S-Blazer. The vehicle that redefined the species. CHEVROLET

GENERAL MOTORS
EXHIBIT D

GM100024

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EXHIBIT E

General Motors Exhibit E

VIDEO

(Potential consumers standing in front of Jimmy at shopping mall)

[Super]:
GMC Jimmy

[Super]:
3-Year 36,000 Mile No Deductible Warranty
[smaller type]:
See your GMC Truck dealer for terms of this limited warranty

[Super]:
\$299 a month 36-month GMAC SmartBuy

[Disclosure, scrolling*]

* Example based on Jimmy MSRP of \$20,498. 6.9% APR GMAC SMARTBUY FINANCING. For 36 months, 35 months at \$299.38 per month and final payment of \$9221.94. \$3350 down, actual down payment may vary. Tax, license, title fees and insurance extra. Purchaser may refinance the final payment, or with 30 days advance written notice sell the vehicle to GMAC at end of term and pay \$250 disposal fee plus any excess mileage and wear charges. Dealer financial participation may affect consumer cost. See your

AUDIO

(Background music throughout)

[Announcer]:
We asked folks why they liked the 1993 GMC Jimmy.

[Consumer #1]:
This is a quality truck.

[Consumer #2]:
Jimmy's very comfortable.

[Consumer #3]:
Jimmy has a real sporty look.

[Announcer]:
We told them about the Jimmy 3-year no deductible warranty.

[Consumer #4]:
No deductible warranty?

[Consumer #5]:
No deductible warranty -- you can't beat that.

[Announcer]:
Then we told them that Jimmy was only \$299 a month with a GMAC Smartbuy.

[Consumer #6]:
\$299 a month?

[Consumer #7]:
\$299 month that's great.

[Consumer #8]:
A Jimmy like this for \$299 a month would be fantastic.

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participating dealer for qualification details. You must take retail delivery out of dealer stock by 9/22/93.

EXHIBIT F

General Motors Exhibit F

VIDEO

(Moving footage of Buick)
[Consumer pointing at title card reading, Super]:
Still waiting to buy a new Buick?
[Consumer pointing at title card reading, Super]:
Well Don't.

(Moving footage of Buick)
[Consumer sitting on title card letters reading, Super]:
Buick 1995 Model Year Close-Out
(Moving footage of Buick)
[Woman sitting near title card letters reading, Super]:
\$1500 Cash Back. Buick LeSabre, Roadmaster, Regal, Century, and Skylark.

[Woman sitting near title card letters reading, Super]:
Buick Regal SmartBuy \$249 per month 30 months/\$2000 down.

(Moving footage of Buick)
[Disclosure*]
[Consumer walking by title card letters reading, Super]:
You're just in time.

* For cash back, you must take retail delivery from dealer stock by 11/30/95. SmartBuy on 1995 Regal Custom SE with 3800 engine \$20,853 MSRP incl. destination charge for a monthly payment of \$248.67/mo. 30 mo. \$2000 cash down or trade-in value (\$3500 down payment less \$1500 customer cash back). First month's payment plus down payment trade-in value for

AUDIO

(Background music throughout -- "I can't wait forever. . .")

Still waiting to buy a new Buick?

Well don't.

Buick Model Year Close-Out is on.

Get \$1500 cash back on all these new Buicks.

Or get this great SmartBuy payment.

For the biggest savings of the year.

You're just in time.
Now wouldn't you really rather have a Buick?

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total of \$3746.67 due at lease signing. Payment based on capitalized cost of _____. Tax, title, license, doc. fee extra. Must take retail delivery from dealer stock by October 4, 1995. GMAC must approve the SmartBuy. Options at contract maturity pay the final payment of \$11,677.68, refinance the final payment with GMAC, sell the vehicle to GMAC and remit \$250 disposal fee plus 15 cents/mile for mileage exceeding 30,000 miles for excessive wear and use. See participating Buick dealers for qualification details.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent 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 the respondent with violation of the Federal Trade Commission Act; and

The respondent, its attorneys, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent 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 the respondent that the law has been violated as alleged in such complaint, or that the facts as alleged in such complaint, other than jurisdictional facts, are true 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 respondent has violated the said Act, 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. Respondent General Motors Corp. is a Delaware corporation with its principal office or place of business at 3044 West Grand Boulevard, Detroit, Michigan.

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

DEFINITIONS

1. *"Clearly and conspicuously"* as used herein shall mean:

1) Video or written disclosures must be made in a manner that is readable and understandable to a reasonable consumer and 2) audio or oral disclosures must be made in a manner that is audible and understandable to a reasonable consumer.

2. *"Total amount due at lease inception"* as used herein shall mean the total amount of any initial payments required to be paid by the lessee on or before consummation of the lease or delivery of the vehicle, whichever is later, excluding dealer and government mandated fees and charges (if any).

3. *"Balloon payment"* as used herein shall mean any scheduled payment with respect to a consumer credit transaction that is at least twice as large as the average of earlier scheduled payments.

4. Unless otherwise specified, *"respondent"* as used herein shall mean General Motors Corp., its successors and assigns, and its officers, agents, representatives, and employees.

5. *"In or affecting commerce"* as used herein shall mean as defined in Section 4 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. 44.

I.

It is ordered, That respondent, directly or through any corporation, subsidiary, division, or any other device, in connection with any advertisement to aid, promote, or assist, directly or indirectly, any consumer lease in or affecting commerce, as "advertisement" and "consumer lease" are defined in Section 213.2 of revised Regulation M, 61 Fed. Reg. 52,246, 52,258 (Oct. 7, 1996)(to be codified at 12 CFR 213.2) ("revised Regulation M"), as amended, shall not, in any manner, expressly or by implication:

A. Misrepresent the total amount due at lease inception, the amount down, and/or the downpayment, capitalized cost reduction, or other amount that reduces the capitalized cost of the vehicle (or that no such amount is required).

B. Make any reference to any charge that is part of the total amount due at lease inception or that no such charge is required, not including a statement of the periodic payment, more prominently than the disclosure of the total amount due at lease inception.

C. State the amount of any payment or that any or no initial payment is required at lease inception unless all of the following items are disclosed clearly and conspicuously, as applicable:

1. That the transaction advertised is a lease;
2. The total amount due at lease inception;
3. That a security deposit is required;
4. The number, amount, and timing of scheduled payments; and
5. That an extra charge may be imposed at the end of the lease term in a lease in which the liability of the consumer at the end of the lease term is based on the anticipated residual value of the vehicle.

II.

It is further ordered, That an advertisement that complies with subparagraph I.C shall be deemed to satisfy the requirements of Section 184(a) of the Consumer Leasing Act, 15 U.S.C. 1667c(a), as amended by Title II, Section 2605 of the Omnibus Consolidated Appropriations Act for Fiscal Year 1997, Pub. L. No. 104-208, 110 Stat. 3009, ____ (Sept. 30, 1996) ("revised CLA"), as amended, and Section 213.7(d)(2) of revised Regulation M, 61 Fed. Reg. at 52,261 (to be codified at 12 CFR 213.7(d)(2)), as amended.

III.

It is further ordered, That if the revised CLA, as amended, or revised Regulation M, as amended, are amended in the future to alter definition 2 of this order ("total amount due at lease inception") or to require or permit advertising disclosures that are different from those set forth in subparagraphs I.B or I.C of this order, then the change or changes shall be incorporated in subparagraph I.B, subparagraph I.C, and/or definition 2 for the purpose of complying with subparagraphs I.B and I.C only, as appropriate; provided however, that all other requirements of this order, including definition 1 ("clearly and conspicuously"), will survive any such revisions.

IV.

It is further ordered, That respondent, directly or through any corporation, subsidiary, division, or any other device, in connection with any advertisement to aid, promote, or assist, directly or

indirectly, any extension of consumer credit in or affecting commerce, as "advertisement" and "consumer credit" are defined in Section 226.2 of Regulation Z, 12 CFR 226.2, as amended, shall not, in any manner, expressly or by implication:

A. Misrepresent the existence and amount of any balloon payment or the annual percentage rate.

B. State the amount of any payment, including but not limited to any monthly payment, in any advertisement unless the amount of any balloon payment is disclosed prominently and in close proximity to the most prominent of the above statements.

C. State the amount or percentage of any downpayment, the number of payments or period of repayment, the amount of any periodic payment, including but not limited to any monthly payment, or the amount of any finance charge, without disclosing clearly and conspicuously:

1. The amount or percentage of the downpayment;
2. The terms of repayment, including but not limited to the amount of any balloon payment; and
3. The correct annual percentage rate, using that term or the abbreviation "APR," as defined in Regulation Z and the Official Staff Commentary to Regulation Z. If the annual percentage rate may be increased after consummation of the credit transaction, that fact must also be disclosed.

V.

It is further ordered, That respondent General Motors Corp., and its successors and assigns, shall, for five (5) years after the date of service of this order, maintain and upon request make available to the Commission for inspection and copying all records that will demonstrate compliance with the requirements of this order.

VI.

It is further ordered, That respondent General Motors Corp., and its successors and assigns, shall deliver a copy of this order to all current and future principals, officers, directors, managers, employees, agents, and representatives having responsibilities with respect to the subject matter of this order and to all advertising

agencies; and shall secure from each such person or entity a signed and dated statement acknowledging receipt of the order. Respondent shall deliver this order to current personnel or entities within thirty (30) days after the date of service of this order, and to such future personnel or entities within thirty (30) days after the person or entity assumes such position or responsibilities.

VII.

It is further ordered, That respondent General Motors Corp., and its successors and assigns, shall notify the Commission at least thirty (30) days prior to any change in the corporation that may affect compliance obligations arising under this order, including but not necessarily limited to dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in the corporate name or address. Provided, however, that, with respect to any proposed change in the corporation about which respondent learns less than thirty (30) days prior to the date such action is to take place, respondent shall notify the Commission as soon as is practicable after obtaining such knowledge. All notices required by this Part shall be sent by certified mail to the Associate Director, Division of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C.

VIII.

It is further ordered, That respondent General Motors Corp., and its successors and assigns, shall within one hundred and twenty (120) days after the date of service of this order, and at such other times as the Federal Trade Commission may require, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

IX.

This order will terminate on February 6, 2017, or twenty (20) years from the most recent date that the United States or the Federal Trade Commission files a complaint (with or without an

accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; provided, however, that the filing of such a complaint will not affect the duration of:

A. Any Part in this order that terminates in less than twenty (20) years;

B. This order's application to any respondent that is not named as a defendant in such complaint; and

C. This order if such complaint is filed after the order has terminated pursuant to this Part.

Provided further, that if such complaint is dismissed or a federal court rules that the respondent did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order will terminate according to this Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

Complaint

123 F.T.C.

IN THE MATTER OF

AMERICAN HONDA MOTOR CO., INC.

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

Docket C-3711. Complaint, Feb. 6, 1997--Decision, Feb. 6, 1997

This consent order prohibits, among other things, a California-based automobile manufacturer from misrepresenting the total amount due at lease inception, requires the manufacturer to provide consumers with clear, readable, and understandable cost information in their car lease and financed purchase advertising, requires advertisements, that reference an initial payment or state that no initial payment is due, to clearly and conspicuously disclose, as applicable, that the deal is a lease, and to disclose the fact that an extra charge may be imposed at the end of the lease based on the residual value of the car.

Appearances

For the Commission: *Rolando Berrelez, Sally Pitofsky and Lauren Steinfeld.*

For the respondent: *Richard Feinstein, McKenna & Cuneo, Washington, D.C.*

COMPLAINT

The Federal Trade Commission, having reason to believe that American Honda Motor Co., Inc., a corporation ("respondent" or "Honda"), has violated the provisions of the Federal Trade Commission Act, 15 U.S.C. 45-58, as amended, and the Consumer Leasing Act, 15 U.S.C. 1667-1667e, as amended, and its implementing Regulation M, 12 CFR 213, as amended, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent American Honda Motor Co., Inc. is a California corporation with its principal office or place of business at 1919 Torrance Boulevard, Torrance, California. Respondent manufactures and distributes vehicles and offers such vehicles for sale or lease to consumers.

2. Respondent has disseminated advertisements to the public that promote consumer leases, as the terms "advertisement" and "consumer lease" are defined in Section 213.2 of Regulation M, 12 CFR 213.2, as amended.

3. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. 44.

4. Respondent has disseminated or has caused to be disseminated consumer lease advertisements ("lease advertisements") for Honda vehicles, including but not necessarily limited to the attached Honda Exhibits A through C. Honda Exhibits A and B are television lease advertisements (attached hereto in video and storyboard format). Honda Exhibit C is a print lease advertisement. These advertisements contain the following statements:

A. [Audio:] "Here's what you might put down on a typical car lease [\$1750]. At Honda, however, we had a different idea. We took our fully equipped 1995 Accord LX and lowered the downpayment to some rather nice round numbers. [pause] The zero down, short-term lease from your Honda dealer. Zero down and \$289 a month for 30 months."

[Video:] [View of an odometer set on \$1750 that rolls down to \$0000] "The \$0 Down Lease. The Accord LX \$0 Down \$289/30 months" [The advertisement contains the following lease disclosure in white print superimposed on a black background and accompanied by background sound: ". . . Advertised rate based on 30-mo. closed-end lease for 1995 Honda Accord 4-Door LX w/Automatic Trans.(Model CD583S). MSRP \$18,880 (includes destination) with dealer cap. cost reduction of \$620.50. DEALER PARTICIPATION MAY AFFECT ACTUAL PAYMENT. Taxes, title, lic. & reg., ins., opt. equip. & services not included. Due at lease signing are 1st mo.'s lease payment, refundable security dep. equal to 1 mo.'s payment rounded to the next highest \$25 increment & applicable title, lic., reg. fee & tax. Total monthly payments \$8,670 + applicable tax. Opt. to purchase at lease end for \$12,548.50 + tax + official fees, except in NY & SD where no purchase opt. avail. If not purchased at lease end, customer returns vehicle & pays a disp. fee of no more than \$400. Lessee pays maint., ins., repairs, service, all related taxes, reg. renewals, excessive wear and use. Mi. charge of \$.15 [cents]/mi. over 12,000 mi./year. MSRP, dealer cap. cost reduction & opt. to purchase differ slightly in CA. . . ." The fine print is displayed on two screens, each containing a block of ten lines, each block appearing for approximately three seconds.] (Honda Exhibit A).

B. [Audio:] "Now we've made the process of driving your own Accord just as streamlined. Lease an Accord LX for just \$239 a month."

[Video:] "\$239 a Month, 36 Months, \$1500 Down." [The advertisement contains the following lease disclosure at the top of the screen in white print superimposed on a black background and accompanied by background sound: ". . . Advertised rate based on 36-month closed-end lease for the 1994 Accord LX Sedan with MSRP of \$18,330.00 with a dealer capitalized cost reduction of \$795.35 (\$965.35

in IL, IN, KS, ME, NY, OK, and UT where no security deposit is required); condition of dealer participation may affect actual rate. Taxes, title, license, and registration, insurance and optional equipment, and services not included. Due at lease signing are \$1,500.00 down-payment, first lease payment, refundable deposit equal to one payment rounded to the next highest \$25.00 increment where applicable, title, license and registration fee, and tax as applicable. Total monthly payment is \$8,604.00 (plus tax, as applicable). Option to purchase at end of lease for \$10,061.50 plus tax and official fees, except in MS, NY, and SD where no option available. Lessee pays maintenance, insurance, repairs, service, any and all related taxes, registration renewals, and excessive wear and use. Mileage charge of \$.15/mile over 15,000 miles per year. A disposition fee up to \$400.00 is due if vehicle not purchased at end of lease term. . . ." The fine print is displayed on three screens, each containing a block of eight lines, each block appearing for approximately three seconds.] (Honda Exhibit B).

C. "INTRODUCING ZIP, ZERO, NADA.

Civic LX \$229 per month/30 months

Accord LX \$289 per month/30 months

Passport 4WDLX \$389 per month/30 months

The \$0 down lease. Now, for a limited time, you can get an affordable, short-term lease on a fully equipped Honda for zero (as in zip, as in nada) dollars down"

[The advertisement contains the following lease disclosure at the bottom of the page in small print:

". . . Taxes, title, lic. & reg., ins., opt. equip. & services not included. Due at lease signing are 1st mo.'s lease payment, refundable security dep. equal to 1 mo.'s payment rounded to the next highest \$25 increment (except where no security dep. is collected) & applicable title, lic., reg. fee & tax. Total monthly payments \$6,870 for the Civic LX Sedan, \$8,670 for the Accord LX Sedan and \$11,670 for the Passport 4WD LX + applicable tax. Opt. to purchase at lease end for \$9,681.50 for the Civic LX Sedan, \$12,649.60 for the Accord LX Sedan and \$15,879.50 for the Passport 4WD LX + tax + official fees, except in MS, NY & SD where no purchase opt. avail. If not purchased at lease end, customer returns vehicle & pays a disp. fee of no more than \$400. Lessee pays maint., ins., repairs, service, all related taxes, reg. renewals, excessive wear & use. Mi. Charge of 15[cents]/mi. over 12,000 mi/yr. . . ."] (Honda Exhibit C).

FEDERAL TRADE COMMISSION ACT VIOLATIONS
COUNT I: MISREPRESENTATION IN LEASE ADVERTISING

5. Through the means described in paragraph four, respondent has represented, expressly or by implication, that the amount stated as "down" in respondent's lease advertisements, including but not necessarily limited to "\$0 down," is the total amount consumers must pay at lease inception to lease the advertised vehicles.

6. In truth and in fact, the amount stated as "down" in respondent's lease advertisements is not the total amount consumers must pay at lease inception to lease the advertised vehicles. Consumers must also pay additional fees beyond the amount stated

as "down," such as the first month's payment and security deposit, at lease inception. Therefore, respondent's representation as alleged in paragraph five was, and is, false or misleading.

7. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

COUNT II: FAILURE TO DISCLOSE ADEQUATELY IN LEASE ADVERTISING

8. In its lease advertisements, respondent has represented, expressly or by implication, that consumers can lease the advertised vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the monthly payment amount and/or the amount stated as "down." These advertisements do not adequately disclose additional terms pertaining to the lease offer, including but not necessarily limited to a required security deposit and first month's payment due at lease inception. The existence of these additional terms would be material to consumers in deciding whether to lease a Honda vehicle. The failure to disclose adequately these additional terms, in light of the representation made, was, and is, a deceptive practice.

9. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

COUNT III: CONSUMER LEASING ACT AND REGULATION M VIOLATIONS

10. Respondent's lease advertisements, including but not necessarily limited to Honda Exhibits A through C, state a monthly payment amount, the number of required payments, and/or an amount "down." The lease disclosures in these advertisements contain one or more of the following terms required by Regulation M: that the transaction advertised is a lease; the total amount of any payment such as a security deposit or capitalized cost reduction required at the consummation of the lease or that no such payments are required; the total of periodic payments due under the lease; a statement of whether or not the lessee has the option to purchase the leased property and at what price and time or the method of determining the purchase-option price; and a statement of the amount or method of determining the amount of any liabilities the lease imposes upon the lessee at the end of the term.

11. The lease disclosures in respondent's television lease advertisements, including but not necessarily limited to Honda Exhibits A and B, are not clear and conspicuous because they appear on the screen in small type for a very short duration. The lease disclosures in respondent's print lease advertisements, including but not necessarily limited to Honda Exhibit C, are not clear and conspicuous because they appear in small type.

12. Respondent's practices violate Section 184 of the Consumer Leasing Act, 15 U.S.C. 1667c, as amended, and Section 213.5(c) of Regulation M, 12 CFR 213.5(c), as amended.

EXHIBIT A

Honda Exhibit A

VIDEO

(Open with view of odometer and Accord LX Sedan)
(Odometer reads \$1750)

(Engine starts revving)
(Odometer starts to scroll down)
[Super]:
The \$0 Down Lease.
From your Honda dealer.

(Odometer reads \$0000)
[Super]:
The Accord LX \$0 Down \$285/30 months

(View Disclosure*)
Leadership Leasing

* [First screen]:

SUBJECT TO LIMITED AVAILABILITY.
Avail. thru January 5, 1995 at participating Honda dealers to approved lessees by American Honda Finance Corp. Advertised rate based on 30-mo. closed-end lease for 1995 Honda Accord 4-Door LX w/Automatic Trans. (Model CD5838.) MSRP \$18,880 (includes destination) with dealer cap. cost reduction of \$620.50
DEALER PARTICIPATION MAY AFFECT ACTUAL PAYMENT. Taxes, title, lic. & reg., ins., opt. equip. & services

AUDIO

(Background music throughout)

Here's what you might put down on a typical car lease.

At Honda, however, we had a different idea. We took our fully equipped 1995 Accord LX and lowered the downpayment to some rather nice round numbers.

The zero down short-term lease from your Honda dealer.
\$0 down and \$289 a month for 30 months.

262

Complaint

not included. Due at lease signing are 1st mo.'s lease payment, refundable security dep. equal to 1 mo.'s payment rounded to the next highest \$25 increment & applicable title, lic.,

[Second screen]:

reg. fee & tax. Total monthly payments \$8,670 + applicable tax. Opt. to purchase at lease end for \$12,548.50 + tax & official fees, except in NY & SD where no purchase opt. avail. If not purchased at lease end, customer returns vehicle & pays a disp. fee of no more than \$400. Lessee pays maint., ins., repairs, service, all related taxes, reg. renewals, excessive wear and use. Mi. charge of \$.15 [cents] /mi. over 12,000 mi./year. MSRP, dealer cap. cost reduction & opt. to purchase differ slightly in CA. This offer may not be available in conjunction with any other advertised offer. See your participating Honda dealer for details.

EXHIBIT B

Honda Exhibit B

VIDEO

(Open with view of white stream and view of Accord LX)

[Super]:

\$239 a Month, 36 Months, \$1500 Down.

(View Disclosure*)

We Won. You Win. A Car Ahead.

*[First screen]:

AUDIO

(Background music throughout)

Motor Trend calls it the most fuel-efficient, the best performing, the quietest, the strongest, and the safest Accord we've ever built. And they named us Motor Trend Import Car of the Year.

Now we've made the process of driving your own Accord just as streamlined.

Lease an Accord LX for just \$239 a month. Leadership leasing from Honda.

We Won. You Win.

Available through 2/28/94, at participating Honda dealers to qualified lessees approved by American Honda Fin. Corp. Subject to availability. Advertised rate based on 36-month closed-end lease for the 1994 Accord LX Sedan with MSRP of \$18,330.00 with a dealer capitalized cost reduction of \$795.35 (\$965.35 in IL, IN, KS, ME, NY, OK and UT where no security deposit is required); condition of dealer participation may affect actual rate. Taxes, title, license, and

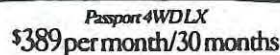
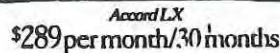
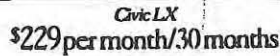
[Second screen]:

registration, insurance and optional equipment, and services not included. Due at lease signing are \$1,500.00 down-payment, first lease payment, refundable deposit equal to one payment rounded to the next highest \$25.00 increment where applicable, title, license and registration fee, and tax as applicable. Total monthly payment is \$8,604.00 (plus tax, as applicable). Option to purchase at end of lease for \$10,061.50 plus tax and official fees, except in MS, NY, and

[Third screen]:

SD where no option available. Lessee pays maintenance, insurance, repairs, service, any and all related taxes, registration renewals, and excessive wear and use. Mileage charge of \$.15/mile over 15,000 miles per year. A disposition fee up to \$400.00 is due if vehicle not purchased at end of lease term. MSRP, dealer capital cost reduction, and option-to-purchase price differ in AK, CA and HI. See participating Honda dealers for details.

Introducing Zip, Zero, Nada



You'd better hurry, however, because this zero down lease offer is only available for a limited time. And if you wait too long, five years and roads is what you may wind up with.

Leadership Leasing[™]  At your Honda dealer.

[illegible]

Exhibit C

HP Alpha Group
 (HMC ARW5041)
 HONDA REGIONAL MARKETING
 117 E 217, B/W
 UTA TODAY
 NY 10025

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent 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 the respondent with violation of the Federal Trade Commission Act; and

The respondent, its attorneys, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent 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 the respondent that the law has been violated as alleged in such complaint, or that the facts as alleged in such complaint, other than jurisdictional facts, are true 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 respondent has violated the said Act, 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. Respondent American Honda Motor Co., Inc. is a California corporation with its principal office or place of business located at 1919 Torrance Boulevard, Torrance, California.

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

DEFINITIONS

1. "*Clearly and conspicuously*" as used herein shall mean: 1) video or written disclosures must be made in a manner that is readable and understandable to a reasonable consumer and 2) audio or oral disclosures must be made in a manner that is audible and understandable to a reasonable consumer.

2. "*Total amount due at lease inception*" as used herein shall mean the total amount of any initial payments required to be paid by the lessee on or before consummation of the lease or delivery of the vehicle, whichever is later, excluding dealer and government mandated fees and charges (if any).

3. Unless otherwise specified, "*respondent*" as used herein shall mean American Honda Motor Co., Inc., its successors and assigns, and its officers, agents, representatives, and employees.

4. "*In or affecting commerce*" as used herein shall mean as defined in Section 4 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. 44.

I.

It is ordered, That respondent, directly or through any corporation, subsidiary, division, or any other device, in connection with any advertisement to aid, promote, or assist, directly or indirectly, any consumer lease in or affecting commerce, as "advertisement" and "consumer lease" are defined in Section 213.2 of revised Regulation M, 61 Fed. Reg. 52,246, 52,258 (Oct. 7, 1996)(to be codified at 12 CFR 213.2) ("revised Regulation M"), as amended, shall not, in any manner, expressly or by implication:

A. Misrepresent the total amount due at lease inception, the amount down, and/or the downpayment, capitalized cost reduction, or other amount that reduces the capitalized cost of the vehicle (or that no such amount is required).

B. Make any reference to any charge that is part of the total amount due at lease inception or that no such charge is required, not including a statement of the periodic payment, more prominently than the disclosure of the total amount due at lease inception.

C. State the amount of any payment or that any or no initial payment is required at lease inception unless all of the following items are disclosed clearly and conspicuously, as applicable:

1. That the transaction advertised is a lease;
2. The total amount due at lease inception;
3. That a security deposit is required;
4. The number, amount, and timing of scheduled payments; and
5. That an extra charge may be imposed at the end of the lease term in a lease in which the liability of the consumer at the end of the lease term is based on the anticipated residual value of the vehicle.

II.

It is further ordered, That an advertisement that complies with subparagraph I.C shall be deemed to satisfy the requirements of Section 184(a) of the Consumer Leasing Act, 15 U.S.C. 1667c(a), as amended by Title II, Section 2605 of the Omnibus Consolidated Appropriations Act for Fiscal Year 1997, Pub. L. No. 104-208, 110 Stat. 3009, ____ (Sept. 30, 1996) ("revised CLA"), as amended, and Section 213.7(d)(2) of revised Regulation M, 61 Fed. Reg. at 52,261 (to be codified at 12 CFR 213.7(d)(2)), as amended.

III.

It is further ordered, That if the revised CLA, as amended, or revised Regulation M, as amended, are amended in the future to alter definition 2 of this order ("total amount due at lease inception") or to require or permit advertising disclosures that are different from those set forth in subparagraphs I.B or I.C of this order, then the change or changes shall be incorporated in subparagraph I.B, subparagraph I.C, and/or definition 2 for the purpose of complying with subparagraphs I.B and I.C only, as appropriate; provided however, that all other requirements of this order, including definition 1 ("clearly and conspicuously"), will survive any such revisions.

IV.

It is further ordered, That respondent American Honda Motor Co., Inc., and its successors and assigns, shall, for five (5) years after the date of service of this order, maintain and upon request make

available to the Commission for inspection and copying all records that will demonstrate compliance with the requirements of this order.

V.

It is further ordered, That respondent American Honda Motor Co., Inc., and its successors and assigns, shall deliver a copy of this order to all current and future principals, officers, directors, managers, employees, agents, and representatives having responsibilities with respect to the subject matter of this order and to all advertising agencies; and shall secure from each such person or entity a signed and dated statement acknowledging receipt of the order. Respondent shall deliver this order to current personnel or entities within thirty (30) days after the date of service of this order, and to such future personnel or entities within thirty (30) days after the person or entity assumes such position or responsibilities.

VI.

It is further ordered, That respondent American Honda Motor Co., Inc., and its successors and assigns, shall notify the Commission at least thirty (30) days prior to any change in the corporation that may affect compliance obligations arising under this order, including but not necessarily limited to dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in the corporate name or address. Provided, however, that, with respect to any proposed change in the corporation about which respondent learns less than thirty (30) days prior to the date such action is to take place, respondent shall notify the Commission as soon as is practicable after obtaining such knowledge. All notices required by this Part shall be sent by certified mail to the Associate Director, Division of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C.

VII.

It is further ordered, That respondent American Honda Motor Co., Inc., and its successors and assigns, shall within one hundred and

twenty (120) days after the date of service of this order, and at such other times as the Federal Trade Commission may require, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

VIII.

This order will terminate on February 6, 2017, or twenty (20) years from the most recent date that the United States or the Federal Trade Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; provided, however, that the filing of such a complaint will not affect the duration of:

A. Any Part in this order that terminates in less than twenty (20) years;

B. This order's application to any respondent that is not named as a defendant in such complaint; and

C. This order if such complaint is filed after the order has terminated pursuant to this Part.

Provided further, that if such complaint is dismissed or a federal court rules that the respondent did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order will terminate according to this Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

IN THE MATTER OF

AMERICAN ISUZU MOTORS INC.

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

Docket C-3712. Complaint, Feb. 6, 1997--Decision, Feb. 6, 1997

This consent order prohibits, among other things, a California-based automobile manufacturer from misrepresenting the total amount due at lease inception, requires the manufacturer to provide consumers with clear, readable, and understandable cost information in their car lease and financed purchase advertising, requires advertisements, that reference an initial payment or state that no initial payment is due, to clearly and conspicuously disclose, as applicable, that the deal is a lease, and to disclose the fact that an extra charge may be imposed at the end of the lease based on the residual value of the car.

Appearances

For the Commission: *Rolando Berrelez, Sally Pitofsky and Lauren Steinfeld.*

For the respondent: *Randy Reiser, David & Gilbert*, New York, N.Y.

COMPLAINT

The Federal Trade Commission, having reason to believe that American Isuzu Motors Inc., a corporation ("respondent" or "Isuzu"), has violated the provisions of the Federal Trade Commission Act, 15 U.S.C. 45-58, as amended, the Consumer Leasing Act, 15 U.S.C. 1667-1667e, as amended, and its implementing Regulation M, 12 CFR 213, as amended, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent American Isuzu Motors Inc. is a California corporation with its principal office or place of business at 2300 Pellissier Place, Whittier, California. Respondent distributes Isuzu vehicles.

2. Respondent has disseminated advertisements to the public that promote consumer leases, as the terms "advertisement" and

"consumer lease" are defined in Section 213.2 of Regulation M, 12 CFR 213.2, as amended.

3. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. 44.

4. Respondent has disseminated or has caused to be disseminated consumer lease advertisements ("lease advertisements") for Isuzu vehicles, including but not necessarily limited to the attached Isuzu Exhibits A through C. Isuzu Exhibits A through C are television lease advertisements (attached in video and storyboard format). These advertisements contain the following statements:

A. [Audio:] "Hey, hey, hey, hey. What the heck does this mean? Very simply, it means for \$999 down, you can lease a brand new Trooper for only \$319 a month."

[Video:] "THE TROOPER LEASE EXPLAINED. [highlighted in yellow]. \$319 MONTH FOR 24 MONTHS. \$999 CUSTOMER CAPITALIZED COST REDUCTION. [highlighted in yellow]."

[The advertisement contains the following lease disclosure which appears on the screen for a brief duration, in a scrolling format, interrupted or obscured by other images, and accompanied by background sound: "*ADVERTISED PAYMENT APPLICABLE TO 4WD TROOPER S MODEL MANUAL TRANSMISSION ONLY. First month's payment of \$319 plus a refundable Security Deposit of \$350 (or a non-refundable last month's payment in IL, IN, KS, ME, and NY) plus a customer down payment of \$999 for a total of \$1,668 due at lease signing. Based on a 24 month low mileage closed-end lease offered to qualified customers by GE Capital Auto Lease through participating dealers through June 30, 1994 -- Subject to availability. Prices based on \$23,000 MSRP and capitalized cost of \$20,075 for a 1994 model Isuzu Trooper S with manual transmission including destination charges and a dealer capitalized cost reduction of \$2,376, excluding taxes, registration, title, license, dealer prep, options and other charges. Prices/monthly payments may vary. 24 monthly payments total \$7,660 plus tax as applicable. Option to purchase at lease end for \$14,030 plus a \$250 purchase option fee. Lessee pays for maintenance, insurance, repairs, excessive wear and tear and mileage charges of up to .15 cents per mile over 24,000 miles at lease end. Program not available in Alaska. 800-726-9200. See your participating Isuzu dealer for details." (Isuzu Exhibit A).

B. [Audio:] "Okay. It says here for \$1,999 down you can lease a Trooper LS with standard dual airbags for just \$339 a month."

[Video:] "THE TROOPER LEASE . . . \$1,999 CUSTOMER CAPITALIZED COST REDUCTION. \$339/MONTH FOR 30 MONTHS." [Index finger points to bolded text while hand moves across remaining text on screen].

[The advertisement contains the following lease disclosure which appears on the screen for a brief duration, in a scrolling format, interrupted or obscured by other images, and accompanied by background sound: "First month's payment of \$339, a refundable Security Deposit of \$350 (or a non-refundable last month's payment of \$339, in IL, IN, KS, ME, and NY) and a customer capitalized cost reduction of

\$1,999 for a total of \$2,688 due at lease signing. Total monthly payments: \$10,170. Taxes, license, title fees, options and insurance are extra. 30 month, closed-end lease example based on \$30,425 MSRP (includes destination charge), a dealer capitalized cost reduction of \$2,995 and a total capitalized cost of \$25,926. Your payments may be higher or lower. Option to purchase at lease end for \$19,472 plus \$250 purchase option fee. Mileage charge of \$.15 per mile over 30,000 miles. Lessee pays excessive wear and use. You must take retail delivery out of dealer stock by July 10, 1995. Program not available in Alaska. 800-726-9200. See your participating dealer for details."] (Isuzu Exhibit B).

C. [Audio:] "Now you can drive off-road without getting soaked. The Rodeo Lease. See your dealer for details."

[Video:] "\$249/MO. The 1993 Rodeo Lease."

[The advertisement contains the following lease disclosure in white fine print superimposed over a black background and accompanied by background sound: "ADVERTISED PAYMENT APPLICABLE TO THE RODEO S MODEL ONLY. OPTIONAL EQUIPMENT SHOWN. First month's payment of \$249 plus refundable security deposit of \$249 (or non-refundable last month's payment in IL, IN, KS, ME and NY), plus a customer capitalized cost reduction of \$1,000 for a total of \$1,498 due at lease signing. Based on a 36-month closed-end lease offered to qualified consumers by GE Capital Auto Lease through participating dealers through 3/31/93. Subject to availability. Prices based on \$____ MSRP and a capitalized cost of \$____ for a 1993 Isuzu Rodeo ____ with manual transmission, including destination charges, excluding taxes, registration, title, license, dealer prep., options and charges. Dealer ____ monthly payments may vary. 36 monthly payments total \$____ plus tax as applicable. Option to purchase at lease end for \$____ plus a \$250 disposition fee. Lessee pays for maintenance, insurance, repairs, excessive wear and tear, and mileage charges of up to .15 cents/mile over 45,000 miles at lease end. Lease program not available in Alaska and Hawaii. See your participating Isuzu dealer for details." The fine print is displayed on the screen in a block of print containing 11 lines and appearing on the screen for approximately three seconds.] (Isuzu Exhibit C).

FEDERAL TRADE COMMISSION ACT VIOLATIONS
COUNT I: MISREPRESENTATION IN LEASE ADVERTISING

5. Through the means described in paragraph four, respondent has represented, expressly or by implication, that the amount stated as "down" in respondent's lease advertisements is the total amount consumers must pay at lease inception to lease the advertised vehicles.

6. In truth and in fact, the amount stated as "down" in respondent's lease advertisements is not the total amount consumers must pay at lease inception to lease the advertised vehicles. Consumers must also pay additional fees beyond the amount stated as "down," such as the first month's payment and security deposit, at lease inception. Therefore, respondent's representation as alleged in paragraph five was, and is, false or misleading.

7. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

COUNT II: FAILURE TO DISCLOSE ADEQUATELY
IN LEASE ADVERTISING

8. In its lease advertisements, respondent has represented, expressly or by implication, that consumers can lease the advertised vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the monthly payment amount and/or amount stated as "down." These advertisements do not adequately disclose additional terms pertaining to the lease offer, including but not necessarily limited to a required security deposit and first month's payment due at lease inception. The existence of additional terms would be material to consumers in deciding whether to lease an Isuzu vehicle. The failure to disclose adequately these additional terms, in light of the representation made, was, and is, a deceptive practice.

9. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

COUNT III: CONSUMER LEASING ACT AND
REGULATION M VIOLATIONS

10. Respondent's lease advertisements, including but not necessarily limited to Isuzu Exhibits A through C, state a monthly payment amount, the number of required payments, and/or an amount "down." The lease disclosures in these advertisements contain one or more of the following terms required by Regulation M: that the transaction advertised is a lease; the total amount of any payment such as a security deposit or capitalized cost reduction required at the consummation of the lease or that no such payments are required; the total of periodic payments due under the lease; a statement of whether or not the lessee has the option to purchase the leased property and at what price and time or the method of determining the purchase-option price; and a statement of the amount or method of determining the amount of any liabilities the lease imposes upon the lessee at the end of the term.

11. The lease disclosures in respondent's television lease advertisements, including but not necessarily limited to Isuzu

Exhibits A and B, are not clear and conspicuous because they appear on the screen for a brief duration, in a scrolling format, accompanied by background sound, and interrupted or obscured by other images. The lease disclosures in respondent's television lease advertisements, including but not necessarily limited to Isuzu Exhibit C, are not clear and conspicuous because they appear on the screen in small type for a very short duration.

12. Respondent's practices violate Section 184 of the Consumer Leasing Act, 15 U.S.C. 1667c, as amended, and Section 213.5(c) of Regulation M, 12 CFR 213.5(c), as amended.

EXHIBIT A

Isuzu Exhibit A

Video

(Open with full-screen text)

[Super]:

THE TROOPER LEASE EXPLAINED
(highlighted in yellow)

\$319 Month for 24 months

\$999 CUSTOMER CAPITALIZED COST
REDUCTION (highlighted in yellow)

(Switch to Trooper)

[Super]:

\$319 MONTH FOR 24 MONTHS

(Switch to full-screen text)

Closed-end Lease (highlighted in
yellow)

(Switch to Trooper)

(Switch to full-screen text)

800-726-9200

(highlighted in yellow)

ISUZU

Practically/Amazing

*ADVERTISED PAYMENT APPLICABLE
TO 4WD TROOPER S MODEL MANUAL
TRANSMISSION ONLY. First month's
payment of \$319 plus a refundable
Security Deposit of \$350 (or a non-
refundable last month's payment in
IL, IN, KS, ME, and NY) plus a
customer down payment of \$999 for
a total of \$1,658 due at lease
signing. Based on a 24 month low

Audio

(Background music throughout)

Hey, hey, hey, hey.

What the heck does this mean?

Very simply, it means for \$999
down, you can lease a brand new
Trooper for only \$319 a month.

And what about this convoluted
muck? It means at the end of the
lease, you can either buy your
Trooper at a great price or walk
away.

And this? It's an 800 number. Don't
tell me you're watching TV without
a pencil and paper. Hey, life's an
adventure. Be prepared.

mileage closed-end lease offered to qualified customers by GE Capital Auto Lease through participating dealers through June 30, 1994 -- Subject to availability. Prices based on \$23,000 MSRP and a capitalized cost of \$20,075 for a 1994 model Isuzu Trooper S with manual transmission including destination charges and a dealer capitalized cost reduction of \$2,376, excluding taxes, registration, title, license, dealer prep, options and other charges. Prices/monthly payments may vary. 24 monthly payments total \$7,660 plus tax as applicable. Option to purchase at lease end for \$14,030 plus a \$250 purchase option fee. Lessee pays for maintenance, insurance, repairs, excessive wear and tear and mileage charges of up to .15 cents per mile over 24,000 miles at lease end. Program not available in Alaska. 800-726-9200. See your participating Isuzu dealer for details.

EXHIBIT B

Isuzu Exhibit B

Video

(Open with Trooper driving on desolate stretch of road)
(Switch to full-screen text rapidly scrolling upward while index finger moves rapidly downward)

(Rapid scroll to beginning of text)
[Super]:
THE TROOPER LEASE 1995 4WD
Trooper LS Model with automatic transmission.
[Super]:
\$1,999 CUSTOMER CAPITALIZED
COST REDUCTION \$339/MONTH FOR
30 MONTHS (Index finger points to

Audio

(Background music throughout)

You know, the hardest part about leasing a vehicle these days is reading the conditions of the lease, I mean, you have to be a speed reader. Whoa. Let's see what we missed.

Okay. It says here for \$1,999 down you can lease a Trooper LS with standard dual airbags for just \$339 a month

bolded text while full text scrolls upward)

(Switch to Trooper)

(Switch to full-screen text)

Option to purchase at lease end for

\$19,472 (Index finger points to text)

800-726-9200 (Index finger points to 800 number)

(Switch to view of Trooper)

ISUZU

Practically/Amazing

*First month's payment of \$339, a refundable Security Deposit of \$350 (or a non-refundable last month's payment of \$339, in IL, IN, KS, ME, and NY) and a customer capitalized cost reduction of \$1,999 for a total of \$2,688 due at lease signing. Total monthly payments: \$10,170. Taxes, license, title fees, options and insurance are extra. 30 month, close-end lease example based on 430,425 MSRP (includes destination charge), a dealer capitalized cost reduction of \$2,995 and a total capitalized cost of \$25,926. Your payments may be higher or lower. Option to purchase at lease end for \$19,472 plus \$250 purchase option fee. Mileage charge of \$.15 per mile over 30,000 miles. Lessee pays excessive wear and use. You must take retail delivery out of dealer stock by July 10, 1995. Program not available in Alaska. 800-726-9200. See your participating dealer for details.

and when the lease is up you can bring the Trooper back or buy it at a really good price.

And this is the all important 800 number. So even if you're not a speed reader, you can always be a speed dialer.

EXHIBIT C

Isuzu Exhibit C

Video

(Open with Rodeo off-road)

[Super]:

Authorized 4-wheel drive area

[Super]:

\$249/MO.

The 1993 Rodeo Lease

Audio

(Background music throughout)

Now you can drive off-road without getting soaked. The Rodeo Lease. See your dealer for details.

(View disclosure*)

(View of Rodeo off-road)

ISUZU

Practically/Amazing

* ADVERTISED PAYMENT APPLICABLE TO THE RODEO S MODEL ONLY. OPTIONAL EQUIPMENT SHOWN. First month's payment of \$249 plus refundable security deposit of \$249 (or non-refundable last month's payment in IL, IN, KS, ME and NY), plus a customer capitalized cost reduction of \$1,000 for a total of \$1,498 due at lease signing. Based on a 36-month closed-end lease offered to qualified consumers by GE Capital Auto Lease through participating dealers through 3/31/93. Subject to availability. Prices based on \$____ MSRP and a capitalized cost of \$____ for a 1993 Isuzu Rodeo ____ with manual transmission, including destination charges, excluding taxes, registration, title, license, dealer prep., options and charges. Dealer ____ monthly payments may vary. 36 monthly payments total \$____ plus tax as applicable. Option to purchase at lease end for \$____ plus a \$250 disposition fee. Lessee pays for maintenance, insurance, repairs, excessive wear and tear, and mileage charges of up to .15 cents/mile over 45,000 miles at lease end. Lease program not available in Alaska and Hawaii. See your participating Isuzu dealer for details.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent 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 the respondent with violation of the Federal Trade Commission Act; and

The respondent, its attorneys, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent 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 the respondent that the law has been violated as alleged in such complaint, or that the facts as alleged in such complaint, other than jurisdictional facts, are true 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 respondent has violated the said Act, 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. Respondent American Isuzu Motors Inc. is a California corporation with its principal office or place of business located at 2300 Pellissier Place, Whittier, California.

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

DEFINITIONS

1. *"Clearly and conspicuously"* as used herein shall mean: 1) video or written disclosures must be made in a manner that is readable and understandable to a reasonable consumer and 2) audio or oral disclosures must be made in a manner that is audible and understandable to a reasonable consumer.

2. *"Total amount due at lease inception"* as used herein shall mean the total amount of any initial payments required to be paid by the lessee on or before consummation of the lease or delivery of the vehicle, whichever is later, excluding dealer and government mandated fees and charges (if any).

3. Unless otherwise specified, *"respondent"* as used herein shall mean American Isuzu Motors Inc., its successors and assigns, and its officers, agents, representatives, and employees.

4. *"In or affecting commerce"* as used herein shall mean as defined in Section 4 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. 44.

I.

It is ordered, That respondent, directly or through any corporation, subsidiary, division, or any other device, in connection with any advertisement to aid, promote, or assist, directly or indirectly, any consumer lease in or affecting commerce, as "advertisement" and "consumer lease" are defined in Section 213.2 of revised Regulation M, 61 Fed. Reg. 52,246, 52,258 (Oct. 7, 1996)(to be codified at 12 CFR 213.2) ("revised Regulation M"), as amended, shall not, in any manner, expressly or by implication:

A. Misrepresent the total amount due at lease inception, the amount down, and/or the downpayment, capitalized cost reduction, or other amount that reduces the capitalized cost of the vehicle (or that no such amount is required).

B. Make any reference to any charge that is part of the total amount due at lease inception or that no such charge is required, not including a statement of the periodic payment, more prominently than the disclosure of the total amount due at lease inception.

C. State the amount of any payment or that any or no initial payment is required at lease inception unless all of the following items are disclosed clearly and conspicuously, as applicable:

1. That the transaction advertised is a lease;
2. The total amount due at lease inception;
3. That a security deposit is required;
4. The number, amount, and timing of scheduled payments; and
5. That an extra charge may be imposed at the end of the lease term in a lease in which the liability of the consumer at the end of the lease term is based on the anticipated residual value of the vehicle.

II.

It is further ordered, That an advertisement that complies with subparagraph I.C shall be deemed to satisfy the requirements of Section 184(a) of the Consumer Leasing Act, 15 U.S.C. 1667c(a), as amended by Title II, Section 2605 of the Omnibus Consolidated Appropriations Act for Fiscal Year 1997, Pub. L. No. 104-208, 110 Stat. 3009, ____ (Sept. 30, 1996) ("revised CLA"), as amended, and Section 213.7(d)(2) of revised Regulation M, 61 Fed. Reg. at 52,261 (to be codified at 12 CFR 213.7(d)(2)), as amended.

III.

It is further ordered, That if the revised CLA, as amended, or revised Regulation M, as amended, are amended in the future to alter definition 2 of this order ("total amount due at lease inception") or to require or permit advertising disclosures that are different from those set forth in subparagraphs I.B or I.C of this order, then the change or changes shall be incorporated in subparagraph I.B, subparagraph I.C, and/or definition 2 for the purpose of complying with subparagraphs I.B and I.C only, as appropriate; provided however, that all other requirements of this order, including definition 1 ("clearly and conspicuously"), will survive any such revisions.

IV.

It is further ordered, That respondent American Isuzu Motors Inc., and its successors and assigns, shall, for five (5) years after the date of service of this order, maintain and upon request make

available to the Commission for inspection and copying all records that will demonstrate compliance with the requirements of this order.

V.

It is further ordered, That respondent American Isuzu Motors Inc., and its successors and assigns, shall deliver a copy of this order to all current and future principals, officers, directors, managers, employees, agents, and representatives having responsibilities with respect to the subject matter of this order and to all advertising agencies; and shall secure from each such person or entity a signed and dated statement acknowledging receipt of the order. Respondent shall deliver this order to current personnel or entities within thirty (30) days after the date of service of this order, and to such future personnel or entities within thirty (30) days after the person or entity assumes such position or responsibilities.

VI.

It is further ordered, That respondent American Isuzu Motors Inc., and its successors and assigns, shall notify the Commission at least thirty (30) days prior to any change in the corporation that may affect compliance obligations arising under this order, including but not necessarily limited to dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in the corporate name or address. Provided, however, that, with respect to any proposed change in the corporation about which respondent learns less than thirty (30) days prior to the date such action is to take place, respondent shall notify the Commission as soon as is practicable after obtaining such knowledge. All notices required by this Part shall be sent by certified mail to the Associate Director, Division of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C.

VII.

It is further ordered, That respondent American Isuzu Motors Inc., and its successors and assigns, shall within one hundred and

twenty (120) days after the date of service of this order, and at such other times as the Federal Trade Commission may require, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

VIII.

This order will terminate on February 6, 2017, or twenty (20) years from the most recent date that the United States or the Federal Trade Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; provided, however, that the filing of such a complaint will not affect the duration of:

A. Any Part in this order that terminates in less than twenty (20) years;

B. This order's application to any respondent that is not named as a defendant in such complaint; and

C. This order if such complaint is filed after the order has terminated pursuant to this Part.

Provided further, that if such complaint is dismissed or a federal court rules that the respondent did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order will terminate according to this Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

Complaint

123 F.T.C.

IN THE MATTER OF

MITSUBISHI MOTOR SALES OF AMERICA, INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF THE
CONSUMER LEASING ACT, THE TRUTH IN LENDING ACT AND
THE FEDERAL TRADE COMMISSION ACT*Docket C-3713. Complaint, Feb. 6, 1997--Decision, Feb. 6, 1997*

This consent order prohibits, among other things, a California-based automobile manufacturer from misrepresenting the total amount due at lease inception, requires the manufacturer to provide consumers with clear, readable, and understandable cost information in their car lease and financed purchase advertising, requires advertisements, that reference an initial payment or state that no initial payment is due, to clearly and conspicuously disclose, as applicable, that the deal is a lease, and to disclose the fact that an extra charge may be imposed at the end of the lease based on the residual value of the car. The consent order also prohibits the respondent from misrepresenting the existence or amount of any balloon payment or the annual percentage rate for advertised loans.

Appearances

For the Commission: *Rolando Berrelez, Sally Pitofsky and Lauren Steinfeld.*

For the respondent: *Kristi Fischer*, in-house counsel, Cypress, CA.

COMPLAINT

The Federal Trade Commission, having reason to believe that Mitsubishi Motor Sales of America, Inc., a corporation ("respondent" or "Mitsubishi"), has violated the provisions of the Federal Trade Commission Act, 15 U.S.C. 45-58, as amended, the Consumer Leasing Act, 15 U.S.C. 1667-1667e, as amended, and its implementing Regulation M, 12 CFR 213, as amended, and the Truth in Lending Act, 15 U.S.C. 1601-1667, as amended, and its implementing Regulation Z, 12 CFR 226, as amended, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Mitsubishi Motor Sales of America, Inc. is a California corporation with its principal office or place of business at

6400 Katella Avenue, Cypress, California. Respondent distributes Mitsubishi vehicles and offers such vehicles for sale or lease to consumers.

2. Respondent has disseminated advertisements to the public that promote consumer leases, as the terms "advertisement" and "consumer lease" are defined in Section 213.2 of Regulation M, 12 CFR 213.2, as amended.

3. Respondent has disseminated advertisements to the public that promote credit sales and other extensions of closed-end credit in consumer credit transactions, as the terms "advertisement," "credit sale," and "consumer credit" are defined in Section 226.2 of Regulation Z, 12 CFR 226.2, as amended.

4. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. 44.

LEASE ADVERTISING

5. Respondent has disseminated or has caused to be disseminated consumer lease advertisements ("lease advertisements") for Mitsubishi vehicles, including but not necessarily limited to the attached Mitsubishi Exhibits A through C. Mitsubishi Exhibits A and B are television lease advertisements (attached in video and storyboard format). Mitsubishi Exhibit C is a print lease advertisement. These advertisements contain the following statements:

A. [Audio:] "Lease for zero down and just two forty-nine a month for thirty-six months."

[Video:]

"MITSUBISHI GALLANT S \$0 DOWN \$249 A MONTH, 36 MONTHS"

[The advertisement contains the following lease disclosure at the bottom of the screen in dark-colored fine print superimposed on a background of similar shade:

"First payment, plus a \$0 down payment and a refundable security deposit of \$250 (in NY, final monthly payment of \$249 in lieu of security deposit) due upon delivery. 36 monthly payments based on MSRP of \$18,043 . . . with a dealer capitalized cost reduction of \$922, excluding tax, title, license, registration, regionally required equipment, dealer options, and charges for a 36-closed month closed-end lease. . . . Total payments: \$8964 Lessee liable for maintenance, non-warrantable repairs, excess wear and tear, and up to 15[cents]/mile over 36,000 miles and \$350 disposition fee and applicable taxes at lease end. Option to purchase at lease end for residual value of \$10,068, plus applicable fees and taxes and purchase option fee of \$150. . . ." The fine print is displayed on three screens,

each containing a block of at least seven lines, and each block appearing for approximately three seconds.] (Mitsubishi Exhibit A).

B. [Audio:] "Lease for just two forty-nine a month for forty-eight months with a thousand dollars down."

[Video:]

"\$1000 DOWN \$249 A MONTH 48 MONTHS"

[The advertisement contains the following lease disclosure at the bottom of the screen in white fine print superimposed on a dark-colored, moving background and accompanied by background sound and other moving images: "First payment, plus a \$1000 down payment and a refundable security deposit of \$250 (in NY, final monthly payment of \$249 in lieu of security deposit) due upon delivery. 48 monthly payments based on MSRP of \$18,747 . . . with a dealer capitalized cost reduction of \$1,289, excluding tax, title, license, registration, regionally required equipment, dealer options, and charges for a 48-month closed-end lease. . . . Total payments: \$11,952 Lessee liable for maintenance, non-warrantable repairs, excess wear and tear, and up to 15[cents]/mile over 60,000 miles and \$350 disposition fee and applicable taxes at lease end. Option to purchase at lease end for residual value of \$8,436, plus applicable fees, taxes and purchase option fee of \$150. . . ." The fine print is displayed on three screens, each containing a block of seven lines, and each block appearing for approximately three seconds.] (Mitsubishi Exhibit B).

C. "\$0 Down Plus \$500 CASH BACK* Now, Lease for 36 Months or Buy a Galant S* LEASE OR BUY \$0 DOWN \$249 A MONTH"

[The advertisement contains the following lease disclosure at the bottom of the page in small print:

" . . . **First payment, plus a \$0 down payment and a refundable security deposit of \$250 (in NY, final monthly payment of \$249 in lieu of security deposit) due upon delivery. 36 monthly payments based on MSRP of \$18,043 for a Galant S with automatic transmission (FOG A88), with a dealer capitalized cost reduction of \$922, excluding tax, title, license, registration, regionally required equipment, dealer options, and charges for a 36-month closed-end lease rounded to the nearest dollar. Total payments: \$8,964. Lessee liable for maintenance, non-warrantable repairs, excess wear and tear, and up to 15 [cents]/mile over 36,000 miles and \$350 disposition fee and applicable taxes at lease end. Option to purchase at lease end for residual value of \$10,068, plus applicable fees and taxes and purchase option fee of \$150. . . ."] (Mitsubishi Exhibit C).

FEDERAL TRADE COMMISSION ACT VIOLATIONS
COUNT I: MISREPRESENTATION IN LEASE ADVERTISING

6. Through the means described in paragraph five, respondent has represented, expressly or by implication, that the amount stated as "down" in respondent's lease advertisements is the total amount consumers must pay at lease inception to lease the advertised vehicles.

7. In truth and in fact, the amount stated as "down" in respondent's lease advertisements is not the total amount consumers must pay at lease inception to lease the advertised vehicles.

8. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

9. In its lease advertisements, respondent has represented, expressly or by implication, that consumers can lease the advertised vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the monthly payment amount and/or amount stated as "down." These lease advertisements do not adequately disclose additional terms pertaining to the lease offer, including but not necessarily limited to a required security deposit and first month's payment due at lease inception. The existence of additional terms would be material to consumers in deciding whether to lease a Mitsubishi vehicle. The failure to disclose adequately these additional terms, in light of the representation made, was, and is, a deceptive practice.

10. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

11. Respondent's lease advertisements, including but not necessarily limited to Mitsubishi Exhibits A through C, state a monthly payment amount, the number of required payments, and/or an amount "down." The lease disclosures in these advertisements contain one or more of the following terms required by Regulation M: that the transaction advertised is a lease; the total amount of any payment such as a security deposit or capitalized cost reduction required at the consummation of the lease or that no such payments are required; the total of periodic payments due under the lease; a statement of whether or not the lessee has the option to purchase the leased property and at what price and time or the method of determining the purchase-option price; and a statement of the amount

or method of determining the amount of any liabilities the lease imposes upon the lessee at the end of the term.

12. The lease disclosures in respondent's television lease advertisements, including but not necessarily limited to Mitsubishi Exhibits A and B, are not clear and conspicuous because they appear on the screen in small type, against a background of similar shade, for a very short duration, with background sounds or images, and/or over a moving background. The lease disclosures in respondent's print lease advertisements, including but not necessarily limited to Mitsubishi Exhibit C, are not clear and conspicuous because they appear in small type.

13. Respondent's practices violate Section 184 of the Consumer Leasing Act, 15 U.S.C. 1667c, as amended, and Section 213.5(c) of Regulation M, 12 CFR 213.5(c), as amended.

CREDIT ADVERTISING

14. Respondent has disseminated or has caused to be disseminated credit sale advertisements ("credit advertisements") for Mitsubishi vehicles, including but not necessarily limited to the attached Mitsubishi Exhibits C, D, and E. Mitsubishi Exhibits D and E are television credit advertisements (attached in video and storyboard format). Mitsubishi Exhibit C, described above, is also a print credit advertisement. These advertisements contain the following statements:

A. [Audio:] "Buy a new Galant ES with automatic transmission and air conditioning for seven hundred fifty dollars down and one ninety-nine a month." [Video:] "\$199 a mo. \$750 down/Auto. Transmission Air conditioning. [The advertisement contains the following credit disclosure at the bottom of the screen in light-colored fine print superimposed on a light-colored, moving background with background sounds and images: "Example based on MSRP of \$18,300 and a selling price of \$16,764 for a Galant ES (FOG A83). \$750 down. 5.15% APR Diamond Advantage Plan financing for 60 months: 59 months at \$199 per month and a FINAL PAYMENT OF \$7,320. Tax, title, license, registration, regionally required equipment, dealer options, and charges extra. Under certain conditions you may refinance the final payment or sell the vehicle to Mitsubishi Motors Credit of America, Inc. at end of term . . ." The fine print is displayed on two screens, each containing a block of five lines, and each block appearing for approximately three seconds.] (Mitsubishi Exhibit D).

B. [Audio:] "Now you can buy a ninety-four Eclipse for one fifty-nine a month with five hundred down." [Video:] "BUY: \$159 a month/\$500 DOWN"

[The advertisement contains the following credit disclosure at the bottom of the screen in white fine print superimposed on a multi-colored, moving background and accompanied by background sound: "Example based on MSRP of \$12,519 and a selling price of \$11,827 for an Eclipse STD M/T (FOG A01). \$500 down. 5.06% APR Diamond Advantage Plan financing for 54 mos.: 53 months at \$159/mo. and a FINAL PAYMENT OF \$4,757. Tax, title, lic., registration, regionally required equipment, dealer options, and charges extra. Under certain conditions you may refinance the final payment or sell the vehicle to Mitsubishi Motors Credit of America, Inc. at end of term. . . ." The fine print is displayed on two screens, each containing a block of five lines, and each block appearing for approximately three seconds.] (Mitsubishi Exhibit E).

C. [Along with the statements described in paragraph five, Exhibit C contains the following credit disclosure at the bottom of the page in small print: " . . . For example: 2.9% APR Diamond Retail Plan financing available for 24 months at \$801 per month for a Galant S with automatic transmission (FOG A88), with a selling price of \$18,043. \$0 down. Tax, title, license, registration, regionally required equipment, dealer options, and charges extra . . . Example based on MSRP of \$18,043 and a selling price of \$17,121 for a Galant S with automatic transmission (FOG A88). \$0 down. 5.53% APR Diamond Advantage Plan financing for 42 months: 41 months at \$249 per month and a FINAL PAYMENT OF \$9,509. Tax, title, license, registration, regionally required equipment, dealer options, and charges extra. Under certain conditions, you may refinance the final payment or sell the vehicle to Mitsubishi Motors Credit of America, Inc. at end of term. . . ."] (Mitsubishi Exhibit C).

FEDERAL TRADE COMMISSION ACT VIOLATIONS
COUNT IV: MISREPRESENTATION IN CREDIT ADVERTISING

15. Through the means described in paragraphs five and fourteen, respondent has represented, expressly or by implication, that consumers can buy the advertised Mitsubishi vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the monthly payment amount and/or amount stated as "down."

16. In truth and in fact, consumers cannot buy the advertised Mitsubishi vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the monthly payment amount and/or amount stated as "down." Consumers are also responsible for a final balloon payment of several thousand dollars to purchase the advertised vehicles. Therefore, respondent's representation as alleged in paragraph fifteen was, and is, false or misleading.

17. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

COUNT V: FAILURE TO DISCLOSE ADEQUATELY IN
CREDIT ADVERTISING

18. In its credit advertisements, respondent has represented, expressly or by implication, that consumers can buy the advertised vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the monthly payment amount and/or amount stated as "down." These advertisements do not adequately disclose additional terms pertaining to the credit offer, including but not necessarily limited to a final balloon payment of several thousand dollars and the annual percentage rate. The existence of these additional terms would be material to consumers in deciding whether to buy a Mitsubishi vehicle. The failure to disclose adequately these additional terms, in light of the representation made, was, and is, a deceptive practice.

19. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

COUNT VI: TRUTH IN LENDING ACT AND REGULATION Z VIOLATIONS

20. Respondent's credit advertisements, including but not necessarily limited to Mitsubishi Exhibits C, D, and E, state a monthly payment amount and/or an amount "down." The credit disclosures in these advertisements contain the following terms required by Regulation Z: the annual percentage rate and the terms of repayment.

21. The credit disclosures in respondent's television credit advertisements, including but not necessarily limited to Mitsubishi Exhibits D and E, are not clear and conspicuous because they appear on the screen in small type, against a background of similar shade, for a very short duration, with background sounds and images, and/or over a moving background. The credit disclosures in respondent's print credit advertisements, including but not necessarily limited to Mitsubishi Exhibit C, are not clear and conspicuous because they appear in small print.

22. Respondent's practices violate Section 144 of the Truth in Lending Act, 15 U.S.C. 1664, as amended, and Section 226.24(c) of Regulation Z, 12 CFR 226.24(c), as amended.

EXHIBIT A

AS PRODUCED TELEVISION

CA Advertising Inc.
One Pacific Plaza
7711 Center Avenue, Suite 400
Huntington Beach, CA 92647
(714) 372-6600

CLIENT: MMSA		PRODUCT: Galant	
TITLE: Galant Summer of Thunder/Lease MGMM-1570		JOB NUMBER:	
DATE: 7/26/95	PAGE NUMBER: 1	REVISION: 1	LENGTH:
COPYWRITER: I. STONE	FILM: () Yes () No	TAPE: () Yes () No	AS REC (X) Yes () No

Video

Audio

SUMMER OF THUNDER

Mitsubishi's Summer of Thunder
continues...

SUPER:
GALANT S PREFERRED
EQUIPMENT PACKAGE

with our best offer ever on a Galant S
with the Preferred Equipment
Package.

SUPER:
MITSUBISHI GALANT S
\$0 DOWN
\$249 A MONTH, 36 MONTHS
DISCLAIMER:

Lease for zero down, and just two
forty-nine a month for thirty-six
months,

First payment, plus a \$0 down payment
and a refundable security deposit of \$250
(in NY, final monthly payment of \$249 in
lieu of security deposit) due upon
delivery. 36 monthly payments based on
MSRP of \$18,043 for a Galant S with
automatic transmission (FOG A88), with
a dealer capitalized cost reduction of
\$922, excluding tax, title, license,
registration, regionally required
equipment, dealer options, and charges
for a 36-month closed-end lease rounded
to the nearest dollar. Total payments:
\$8,964. Lessee liable for maintenance,
non-warrantable repairs, excess wear and
tear, and

MITSUBISHI
EXHIBIT A

Complaint

123 F.T.C.

EXHIBIT A

G2

TELEVISION

Advertising Inc.
One Pacific Plaza
7711 Center Avenue, Suite 400
Huntington Beach, CA 92647
(714) 372-6600

CLIENT: MNSA		PRODUCT: Calant	
TITLE: Calant Summer or Thunder Lease MGM-1570		JOB NUMBER: 415-10-824	
DATE: 7/26/95	PAGE NUMBER: 2	REVISION:	LENGTH: 30
COPYWRITER: J. Stone	FILM: () Yes () No	TAPE: () Yes () No	AS REC (X) Yes () No

SUPER:
50 DOWN
\$245 A MONTH, 36 MONTHS
AUTOMATIC TRANSMISSION
AIR CONDITIONING
POWER WINDOWS AND DOOR
LOCKS
CRUISE CONTROL

DISCLAIMER:
up to 15¢/mile over 36,000 miles and \$350
disposition fee and applicable taxes at
lease end. Option to purchase at lease end
for residual value of \$ 10,068, plus
applicable fees and taxes and purchase
option fee of \$150. Purchase option during
lease (after first 12 months) for Initial
Lease Balance of \$17,521 reduced by the
depreciation portion of the monthly
payments, plus applicable fees and taxes,
plus purchase option fee of \$150.
Depreciation is determined on a level
yield basis following the rules for journal
entries for lessors under "Direct Financing
Leases" in statement of Financial
Accounting Standards No. 13 issued by
the Financial Accounting Standards
Board and will reduce the Initial Lease
Balance to the residual value at the end
of the lease term. Lease offered to
qualified customers with approved credit
and insurance. Program for 1995 models
only through Mitsubishi Motors Credit of
America, Inc. and not available in HI on
these terms. Program scheduled to end
July 31, 1995. DEALER PRICE AND
TERMS MAY VARY. SEE
PARTICIPATING DEALERS FOR
DETAILS.

and get automatic transmission, air
conditioning, power windows and
door locks, and much more.

EXHIBIT A

G2

TELEVISIO

G2 Advertising Inc.
One Pacific Plaza
7711 Center Avenue, Suite 400
Huntington Beach, CA 92647
(714) 372-6600

CLIENT: MMSA		PRODUCT: Galant	
TITLE: Galant Summer of Thunder/Lease MGM-1570		JOB NUMBER: 415-10-824	
DATE: 7/26/95	PAGE NUMBER: 3	REVISION:	LENGTH: :30
COPYWRITER: J. Stone	FILM: ()Yes ()No	TAPE: ()Yes ()No	AS REC: (X)Yes ()No

SUPER
PLUS \$500 CASH BACK
DISCLAIMER:
\$500 cash back when financed through Mitsubishi Motors Credit of America, Inc. \$1,100 savings includes \$300 cash back plus \$602 savings on PEP which is based on MSRP for air conditioning, power windows and door locks, cruise control, six-speaker stereo cassette, large door armrests and pockets, molded door trim with fabric inserts, full trunk trim, and courtesy door lights.

Plus, right now, get five hundred dollars cash back. That's eleven hundred dollars in savings.

SUPER:
\$ 0 DOWN PLUS \$500 CASH BACK

Zero down, plus cash back, for a limited time,

during the Summer of Thunder,

LOGO: Mitsubishi.
The New Thinking in
Automobiles™
1-800-55MITSU

from Mitsubishi. The New Thinkin
in Automobiles™.

Complaint

123 F.T.C.

EXHIBIT B

AS PRC

G2 Advertising, Inc.
 7711 Center Avenue, Suite 400
 Huntington Beach, CA 92647
 (714) 372-6600

CLIENT: MMSA		PRODUCT: Eclipse	
TITLE: Final Storm - Eclipse Lease MGMM 2514		JOB NUMBER: 413-12-829	
DATE: 9/29/95	PAGE NUMBER: 1	REVISION: 2	LENGTH: 30
WRITER:	FILM: ()Yes ()No	TAPE: ()Yes ()No	AS REC: ()Yes ()No

Video

Audio

MUSIC UNDER)

Mortise of clouds expands.

This summer's hottest event.. just got
hotterGraphic type treatment of "Thunder"
with clouds back drop.Mitsubishi's Summer of Thunder heats
up with an electrifying offer on an
Eclipses GS:

MITSUBISHI
 EXHIBIT B

Complaint

EXHIBIT B

G2 Advertising, Inc.
7711 Center Avenue, Suite 400
Huntington Beach, CA 92647
(714) 372-6600

CLIENT: MMSA		PRODUCT: Eclipse	
TITLE: Final Storm - Eclipse Lease MGMM 2514		JOB NUMBER: 415-12-829	
DATE: 9/29/95	PAGE NUMBER: 2	REVISION: 2	LENGTH: 30
WRITER:	FILM: ()Yes ()No	TAPE: ()Yes ()No	AS REC: ()Yes ()No

SUPER:
\$249 A MONTH, 48 MONTHS
\$1,000 DOWN

DISCLAIMER:

First payment, plus a \$1,000 down payment and a refundable security deposit of \$250 (in NY, final monthly payment of \$249 in lieu of security deposit) due upon delivery. 48 monthly payments based on MSRP of \$18,747 for an Eclipse GS with manual transmission (POG A87), with a dealer capitalized cost reduction of \$1,289, excluding tax, title, license, registration, regionally required equipment, dealer options, and charges for a 48-month closed-end lease rounded to the nearest dollar. Total payments: \$11,952. Lessee liable for maintenance, non-warrantable repairs, excess wear and tear, and up to 15¢/mile over 60,000 miles and \$350 disposition fee and applicable taxes at lease end. Option to purchase at lease end for residual value of \$8,436, plus applicable fees and taxes and purchase option fee of \$150. Purchase option during lease (after first 12 months) for Initial Lease Balance of \$16,858 reduced by the depreciation portion of the monthly payments, plus applicable fees and taxes, plus purchase option fee of \$150. Depreciation is determined on a level yield basis following the rules for journal entries for lessors under "Direct Financing Leases" in statement of Financial Accounting Standards No. 13 issued by the Financial Accounting Standards Board and will reduce the Initial Lease Balance to the residual value at the end of the lease term. Lease offered to qualified customers with approved credit and insurance. Program for 1995 models only through Mitsubishi Motors Credit of America, Inc. and not available in HI on these terms. Program scheduled to end September 11, 1995. DEALER PRICE AND TERMS MAY VARY. SEE

Lease for just two forty-nine a month for forty-eight months with a thousand dollars down.

Complaint

123 F.T.C.

EXHIBIT B

G2 Advertising, Inc.
7711 Center Avenue, Suite 400
Huntington Beach, CA 92647
(714) 372-6600

CLIENT: MMSA		PRODUCT: Eclipse	
TITLE: Final Storm - Eclipse Lease MGMM 2514		JOB NUMBER: 415-12-829	
DATE: 9/29/95	PAGENUMBER: 3	REVISION: 2	LENGTH: :30
WRITER:	FILM: ()Yes ()No	TAPE: ()Yes ()No	AS REC: ()Yes ()

SUPER:
AIR CONDITIONER
POWER WINDOWS AND DOOR
LOCKS
ALLOY WHEELS
SIX-SPEAKER STEREO CASSETTE

But hurry in. Because this offer ends
soon.

And so does the Summer of Thunder.

LOGO: Mitsubishi
The New Thinking in
Automobiles™
1-800-55MITSU

From Mitsubishi.
The New Thinking in Automobiles.

Complaint

123 F.T.C.

EXHIBIT D

G2 Advertising, Inc.
7711 Center Avenue, Suite 400
Huntington Beach, CA 92647
(714) 372-6600

CLIENT: MMSA		PRODUCT: Galant	
TITLE: "Favorite Things" \$199 Buy (AS REC) MGMM-1473		JOB NUMBER: 415-10-712	
DATE: 9/25/95	PAGE NUMBER: 1	REVISION: 2	LENGTH: :30
WRITER: J. Stone	FILM: ()Yes ()No	TAPE: ()Yes ()No	AS REC: (X)Yes ()No

Video

ROSE IN VASE WITH DRIVER'S
SEAT RECLINING

7/8 OVERHEAD FRONT BEAUTY
SHOT, DRIVER'S SIDE W/
BADGING

DRIVER'S SEAT MOVES BACK
AND RECLINES

ARMREST LIFTS OPEN

CRUISE INDICATOR COMES ON

POWER ANTENNA COMES UP

Footage of Galant S appears with buy
mention.

SUPER: \$199 a mo. \$750 down/
Auto. transmission
Air conditioning.

DISCLAIMER:

Example based on MSRP of 18,300, and a
selling price of \$16,764 for a Galant ES, (FOG
A83). \$750 down. 5.15% APR Diamond
Advantage Plan financing for 60 months: 59
months at \$199 per month and a FINAL
PAYMENT OF \$7,320. Tax, title, license,
registration, regionally required equipment,
dealer options, and charges extra. Under
certain conditions you may refinance the final
payment or sell the vehicle to Mitsubishi
Motors Credit of America, Inc. at end of term.

Audio

(MUSIC UNDER)

"RAINDROPS ON ROSES AND...

...WHISKERS ON KITTENS..."

The all-new Mitsubishi Galant. Filled
with thoughtful details.

"THESE ARE A ...

...FEW OF MY ...

...FAVORITE ...

...THINGS."

Buy a new Galant ES with automatic
transmission and air conditioning for
seven hundred fifty dollars down and
one ninety-nine a month.

MITSUBISHI
EXHIBIT D

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Complaint

EXHIBIT D

G2

TELEVI

G2 Advertising, Inc.
7711 Center Avenue, Suite 400
Huntington Beach, CA 92647
(714) 372-6600

CLIENT: MMSA		PRODUCT: Galant	
TITLE: "Favorite Things" \$199 Buy (AS REC) MGMM-1473		JOB NUMBER: 415-10-712	
DATE: 9/25/95	PAGE NUMBER: 2	REVISION: 2	LENGTH: :30
WRITER: J. Stone	FILM: ()Yes ()No	TAPE: ()Yes ()No	AS REC: (X)Yes ()

Diamond Advantage Plan offered to qualified customers with approved credit and insurance. Program for 1994 models only through Mitsubishi Motors Credit of America, Inc. and not available in HI on these terms. Diamond Advantage Plan financing not available in NC. Program scheduled to end June 30, 1994. DEALER PRICE AND TERMS MAY VARY. SEE PARTICIPATING DEALERS FOR DETAILS. AVAILABILITY OF SPECIFIC MODELS MAY VARY BY DEALER.

HEIGHT ADJUSTABLE SAFETY
BELT

"THESE ARE A...

REAR SEAT ARMREST FOLDS DOWN

...FEW OF...

DUAL AIR BAGS DEPLOY

...MY FAVORITE THINGS."

SUPER: Always wear safety belts.

3/4 Overhead front beauty shot, driver side.

The affordable Galant ES offer. Perhaps the most...

SUPER: \$199 a mo. \$750 down./
Auto. transmission
Air conditioning.

LOGO: Mitsubishi
The New Thinking in
Automobiles.™
1-800-55MITSU

... favorite thing of all.

Complaint

123 F.T.C.

EXHIBIT E

C2

TELEX

G2 Advertising
One Pacific Plaza
7711 Center Avenue, Suite 400
Huntington Beach, CA 92647
(714) 372-6600

CLIENT: MMSA		PRODUCT: ECLIPSE	
TITLE: Eclipse all others R4 MGMM-2414		JOB NUMBER: 415-02-713	
DATE: 3/24/93	PAGE NUMBER: 1	REVISION:	LENGTH: 30
WORD COUNT:	FLM: ()Yes ()No	TAPE: ()Yes ()No	AS REC: (X)Yes ()No

Video

Audio

FRONT VIEW OF BUS DRIVING
FORWARD

MUSIC BEAT

BUS DRIVES RIGHT TO LEFT OF
SCREEN

ANNCR: If you're looking for a way
get from here to there

SIDE VIEW OF BUS SHOWING A
BILLBOARD OF THE MITSUBISHI
ECLIPSE

MUSIC BEAT

CLOSE-UP OF ECLIPSE BILLBOARD
THE CAR IS BEGINNING TO COME
ALIVE

that eclipses all other forms of
transportation,

THE ECLIPSE HAS DRIVEN OFF THE
BILLBOARD

look at this. The Mitsubishi Eclipse.

RUNNING FOOTAGE OF ECLIPSE

MUSIC BEAT

RUNNING FOOTAGE OF ECLIPSE
SUPER: BUY: \$159 A MONTH/\$500
DOWN

ANNCR: Now you can buy a ninety
four Eclipse for one fifty-nine a month
with five hundred down. Or, buy an
ninety-four Eclipse and get factory
cash back.

DISCLAIMER:

(SEE ATTACHED FOR DETAILS)

SUPER: \$1,000 FACTORY CASH BACK

DISCLAIMER: Factory cash back on the
purchase of any '94 Eclipse model, offer ends
June 30, 1994. See your participating Mitsubishi
Motors Dealer for details.

REAR VIEW OF ECLIPSE DRIVING OFF

The Eclipse from Mitsubishi.

MITSUBISHI LOGO
1-800-55MITSU

The New Thinking in Automobiles

MITSUBISHI
EXHIBIT E

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Complaint

EXHIBIT E

G2

TELEVISION

G2 Advertising
One Pacific Plaza
7711 Center Avenue, Suite 400
Huntington Beach, CA 92647
(714) 372-6600

CLIENT: MMSA		PRODUCT: ECLIPSE	
TITLE: Eclipse all others RA MGMM-2414		JOB NUMBER: 415-02-713	
DATE: 3/24/94	PAGE NUMBER: 2	REVISION:	LENGTH: 30
WORD COUNT:	FLM: ()Yes ()No	TAPE: ()Yes ()No	AS REC (X)Yes ()No

Example based on MSRP of \$12,519 and a selling price of \$11,827 for an Eclipse STD M/T (FOG A01). \$500 down. 5.06% APR Diamond Advantage Plan financing for 54 months: 53 months at \$159/mo. and a FINAL PAYMENT OF \$4,757. Tax, title, lic., registration, regionally required equipment, dealer options, and charges extra. Under certain conditions you may refinance the final payment or sell the vehicle to Mitsubishi Motors Credit of America, Inc. at end of term. Diamond Advantage Plan offered to qualified customers with approved credit and insurance. Program for 1994 models only through Mitsubishi Motors Credit of America, Inc. and not available in HI on these terms. Diamond Advantage Plan financing not available in NC. Program scheduled to end June 30, 1994.

DEALER PRICE AND TERMS MAY VARY. SEE PARTICIPATING DEALERS FOR DETAILS.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent 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 the respondent with violation of the Federal Trade Commission Act; and

The respondent, its attorneys, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent 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 the respondent that the law has been violated as alleged in such complaint, or that the facts as alleged in such complaint, other than jurisdictional facts, are true 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 respondent has violated the said Act, 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. Respondent Mitsubishi Motor Sales of America, Inc., is a California corporation with its principal office or place of business at 6400 Katella Avenue, Cypress, California.

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

DEFINITIONS

1. *"Clearly and conspicuously"* as used herein shall mean: 1) video or written disclosures must be made in a manner that is readable and understandable to a reasonable consumer and 2) audio or oral disclosures must be made in a manner that is audible and understandable to a reasonable consumer.

2. *"Total amount due at lease inception"* as used herein shall mean the total amount of any initial payments required to be paid by the lessee on or before consummation of the lease or delivery of the vehicle, whichever is later, excluding dealer and government mandated fees and charges (if any).

3. *"Balloon payment"* as used herein shall mean any scheduled payment with respect to a consumer credit transaction that is at least twice as large as the average of earlier scheduled payments.

4. Unless otherwise specified, *"respondent"* as used herein shall mean Mitsubishi Motor Sales of America, Inc., its successors and assigns, and its officers, agents, representatives, and employees.

5. *"In or affecting commerce"* as used herein shall mean as defined in Section 4 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. 44.

I.

It is ordered, That respondent, directly or through any corporation, subsidiary, division, or any other device, in connection with any advertisement to aid, promote, or assist, directly or indirectly, any consumer lease in or affecting commerce, as "advertisement" and "consumer lease" are defined in Section 213.2 of revised Regulation M, 61 Fed. Reg. 52,246, 52,258 (Oct. 7, 1996)(to be codified at 12 CFR 213.2) ("revised Regulation M"), as amended, shall not, in any manner, expressly or by implication:

A. Misrepresent the total amount due at lease inception, the amount down, and/or the downpayment, capitalized cost reduction, or other amount that reduces the capitalized cost of the vehicle (or that no such amount is required).

B. Make any reference to any charge that is part of the total amount due at lease inception or that no such charge is required, not

including a statement of the periodic payment, more prominently than the disclosure of the total amount due at lease inception.

C. State the amount of any payment or that any or no initial payment is required at lease inception unless all of the following items are disclosed clearly and conspicuously, as applicable:

1. That the transaction advertised is a lease;
2. The total amount due at lease inception;
3. That a security deposit is required;
4. The number, amount, and timing of scheduled payments; and
5. That an extra charge may be imposed at the end of the lease term in a lease in which the liability of the consumer at the end of the lease term is based on the anticipated residual value of the vehicle.

II.

It is further ordered, That an advertisement that complies with subparagraph I.C shall be deemed to satisfy the requirements of Section 184(a) of the Consumer Leasing Act, 15 U.S.C. 1667c(a), as amended by Title II, Section 2605 of the Omnibus Consolidated Appropriations Act for Fiscal Year 1997, Pub. L. No. 104-208, 110 Stat. 3009, ____ (Sept. 30, 1996) ("revised CLA"), as amended, and Section 213.7(d)(2) of revised Regulation M, 61 Fed. Reg. at 52,261 (to be codified at 12 CFR 213.7(d)(2)), as amended.

III.

It is further ordered, That if the revised CLA, as amended, or revised Regulation M, as amended, are amended in the future to alter definition 2 of this order ("total amount due at lease inception") or to require or permit advertising disclosures that are different from those set forth in subparagraphs I.B or I.C of this order, then the change or changes shall be incorporated in subparagraph I.B, subparagraph I.C, and/or definition 2 for the purpose of complying with subparagraphs I.B and I.C only, as appropriate; provided however, that all other requirements of this order, including definition 1 ("clearly and conspicuously"), will survive any such revisions.

IV.

It is further ordered, That respondent, directly or through any corporation, subsidiary, division, or any other device, in connection with any advertisement to aid, promote, or assist, directly or indirectly, any extension of consumer credit in or affecting commerce, as "advertisement" and "consumer credit" are defined in Section 226.2 of Regulation Z, 12 CFR 226.2, as amended, shall not, in any manner, expressly or by implication:

A. Misrepresent the existence and amount of any balloon payment or the annual percentage rate.

B. State the amount of any payment, including but not limited to any monthly payment, in any advertisement unless the amount of any balloon payment is disclosed prominently and in close proximity to the most prominent of the above statements.

C. State the amount or percentage of any downpayment, the number of payments or period of repayment, the amount of any periodic payment, including but not limited to any monthly payment, or the amount of any finance charge, without disclosing clearly and conspicuously:

1. The amount or percentage of the downpayment;
2. The terms of repayment, including but not limited to the amount of any balloon payment; and
3. The correct annual percentage rate, using that term or the abbreviation "APR," as defined in Regulation Z and the Official Staff Commentary to Regulation Z. If the annual percentage rate may be increased after consummation of the credit transaction, that fact must also be disclosed.

V.

It is further ordered, That respondent Mitsubishi Motor Sales of America, Inc., and its successors and assigns, shall, for five (5) years after the date of service of this order, maintain and upon request make available to the Commission for inspection and copying all records that will demonstrate compliance with the requirements of this order.

VI.

It is further ordered, That respondent Mitsubishi Motor Sales of America, Inc., and its successors and assigns, shall deliver a copy of this order to all current and future principals, officers, directors, managers, employees, agents, and representatives having responsibilities with respect to the subject matter of this order and to all advertising agencies; and shall secure from each such person or entity a signed and dated statement acknowledging receipt of the order. Respondent shall deliver this order to current personnel or entities within thirty (30) days after the date of service of this order, and to such future personnel or entities within thirty (30) days after the person or entity assumes such position or responsibilities.

VII.

It is further ordered, That respondent Mitsubishi Motor Sales of America, Inc., and its successors and assigns, shall notify the Commission at least thirty (30) days prior to any change in the corporation that may affect compliance obligations arising under this order, including but not necessarily limited to dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in the corporate name or address. Provided, however, that, with respect to any proposed change in the corporation about which respondent learns less than thirty (30) days prior to the date such action is to take place, respondent shall notify the Commission as soon as is practicable after obtaining such knowledge. All notices required by this Part shall be sent by certified mail to the Associate Director, Division of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C.

VIII.

It is further ordered, That respondent Mitsubishi Motor Sales of America, Inc., and its successors and assigns, shall within one hundred and twenty (120) days after the date of service of this order, and at such other times as the Federal Trade Commission may require, file with the Commission a report, in writing, setting forth in

detail the manner and form in which they have complied with this order.

IX.

This order will terminate on February 6, 2017, or twenty (20) years from the most recent date that the United States or the Federal Trade Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; provided, however, that the filing of such a complaint will not affect the duration of:

A. Any Part in this order that terminates in less than twenty (20) years;

B. This order's application to any respondent that is not named as a defendant in such complaint; and

C. This order if such complaint is filed after the order has terminated pursuant to this Part.

Provided further, that if such complaint is dismissed or a federal court rules that the respondent did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order will terminate according to this Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

Complaint

123 F.T.C.

IN THE MATTER OF

MAZDA MOTOR OF AMERICA, INC.

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

Docket C-3714. Complaint, Feb. 6, 1997--Decision, Feb. 6, 1997

This consent order prohibits, among other things, a California-based automobile manufacturer from misrepresenting the total amount due at lease inception, requires the manufacturer to provide consumers with clear, readable, and understandable cost information in their car lease and financed purchase advertising, requires advertisements, that reference an initial payment or state that no initial payment is due, to clearly and conspicuously disclose, as applicable, that the deal is a lease, and to disclose the fact that an extra charge may be imposed at the end of the lease based on the residual value of the car.

Appearances

For the Commission: *Rolando Berrelez, Sally Pitofsky and Lauren Steinfeld.*

For the respondent: *Elroy H. Wolff, Sidley & Austin, Washington, D.C.*

COMPLAINT

The Federal Trade Commission, having reason to believe that Mazda Motor of America, Inc., a corporation ("respondent" or "Mazda"), has violated the provisions of the Federal Trade Commission Act, 15 U.S.C. 45-58, as amended, the Consumer Leasing Act, 15 U.S.C. 1667-1667e, as amended, and its implementing Regulation M, 12 CFR 213, as amended, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Mazda Motor of America, Inc. is a California corporation with its principal office or place of business at 7755 Irvine Center Drive, Irvine, California. Respondent distributes Mazda vehicles.

2. Respondent has disseminated advertisements to the public that promote consumer leases, as the terms "advertisement" and

"consumer lease" are defined in Section 213.2 of Regulation M, 12 CFR 213.2, as amended.

3. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. 44.

4. Respondent has disseminated or has caused to be disseminated consumer lease advertisements ("lease advertisements") for Mazda vehicles, including but not necessarily limited to the attached Mazda Exhibits A through D. Mazda Exhibits A through C are television lease advertisements (attached hereto in video and storyboard format) and Exhibit D is a print lease advertisement. These advertisements contain the following statements:

A. [Audio:] "One penny down. Great leases. Very little time. On Protegé. A penny (down). And one eighty-nine. The B2300 SE. A penny down. And one ninety-nine. 626. A penny and two-o-nine. Miata. . . . A penny and two nineteen. Passion for the road. Put your penny down."

[Video:] [open on a man jumping through a rain of pennies.]

"MAZDA ONE PENNY DOWN 36 MO. LEASES [running footage of Protege] \$189 A MO. [over graphic of a penny spinning] [running footage of B2300] \$199 A MO. [over graphic of a penny spinning] [running footage of 626] \$209 A MO. [over graphic of a penny spinning] [running footage of Miata] \$219 A MO."

[over graphic of a penny spinning] [The advertisement contains the following lease disclosure at the bottom of the screen in white colored fine print superimposed on a black background and accompanied by background sounds and images: ". . . Offer on '96 Protegé DX w/Conv. Pkg., MSRP \$14,720. Assumes \$1325 dealer contribution. 36 mo. payments = \$6,809.04. Initial fees = \$439.15. Purchase option at lease end = \$7,654.40 Offer on '96 B2300 SE . . . MSRP \$14,605. Assumes \$859 dealer contribution. 36 mo. payments = \$7,198.92. Initial fees = \$449.98. Purchase option at lease end = \$7,594.60. Offer on '96 626 DX w/Conv. Pkg., MSRP \$17,540. Assumes \$1,241 dealer contribution. 36 mo. payments = \$7,532.64. Initial fees = \$459.25. Purchase option at lease end = \$9,471.60. Offer on '96 Miata . . . MSRP \$19,280. Assumes \$1,198 dealer contribution. 36 monthly payments = \$7,908.84. Initial fees = \$469.70. Purchase option at lease end = \$10,796.80. . . . \$450 Acq. fee plus taxes, title, license, & registration also due at lease signing. Early termination = \$200. Lessee liable for \$.10/mile over 36,000, maintenance, repairs & excess wear/tear. . . ." The fine print is displayed on four screens, each containing a block of at least five lines, and each block appearing for approximately three seconds.](Mazda Exhibit A).

B. [Audio:] "Lease a 626. Zero down, two-o-nine a month."

[Video:] "From \$0 DOWN \$209 A MO. 36 MONTHS."

[The advertisement contains the following lease disclosure at the bottom of the screen in white colored fine print superimposed on a black background and accompanied by background sounds and images: ". . . 36 mo. payments = \$7,551. Initial fees = \$459.75 plus \$450 acq. fee, taxes, title, license & registration. Early termination fee = \$200. Lessee liable for \$.10/mile over 36,000, maintenance, repairs & excess wear/tear. Purchase option at lease end = \$9471.60. . . ." The fine

print is displayed on three screens, each containing a block of at least three lines, and each block appearing for approximately two seconds.](Mazda Exhibit B).

C. [Audio:] "Its Mazda Jump . . . on Summer."

[Video:] "ZERO DOWN LEASES 36 MONTHS"

[cut to Protege badge. Mazda Protege running footage]

[Audio:] "On Protegé. Zero and one eighty-nine." [Video:] "\$0 DOWN PYMT. \$189 A MONTH WELL-EQUIPPED" [cut to B2300 badge. Mazda B2300 running footage] [Audio:] "B2300 SE-5. Zero and one ninety-nine." [Video:] "\$0 DOWN PYMT. \$199 A MONTH FULLY LOADED SE-5." [cut to 626 badge. . . 626 running footage] [Audio:] "Six-two-six. . . Zero and two-o-nine." [Video:] "\$0 DOWN PYMT. \$209 A MONTH WELL-EQUIPPED" [The advertisement contains the following lease disclosure at the bottom of the screen in white colored fine print superimposed on a black background and accompanied by background sounds and images: "Closed-end leases to qualified lessees. Approval of Mazda American Credit & insurance required. Offer on '96 Protégé DX w/ Conv. Pkg., MSRP \$14,720. Assumes \$1,325 dealer contribution. 36 mo. pymts = \$6,836.04. Initial fees = \$439.89. Purchase option at lease end = \$7,507.20. Offer on '96 B2300 SE Reg Cab w/ A/C & Pref. Equip. Grp., MSRP \$14,605. Assumes \$1,888 dealer contribution. 36 mo. pymts = \$7,193.16. Initial fees = \$449.81. Purchase option at lease end = \$7,740.65. Offer on '96 626 DX w/ Conv. Pkg., MSRP \$17,540. Assumes \$1,241 dealer contribution. 36 mo. pymts = \$7,558.20. Initial fees = \$459.95. Purchase option at lease end = \$9,647. All leases incl. freight, excl. CA/MA/NY emissions. \$450 Acq. Fee plus taxes, title, license & registration also due at lease signing. Early termination = \$200. Lessee liable for \$.10/mile over 36,000, maintenance, repairs & excess wear/tear. Must take retail delivery by 6/3/96. SEE PARTICIPATING DEALERS FOR DETAILS AND ACTUAL TERMS." The fine print is displayed on three screens, each containing a block of at least four lines, and each block appearing for approximately three seconds.](Mazda Exhibit C).

D. "MAZDA PENNY DOWN GREAT LEASES OR BUY"

[The advertisement contains lease offers for four vehicles:]

"MAZDA PROTEGÉ. . . LEASE 1¢ DOWN \$189 MO. 36 MOS. . . B2300SE SPORT TRUCK. . . LEASE 1¢ DOWN \$199 MO. 36 MOS. . . 626 SPORT SEDAN. . . LEASE 1¢ DOWN \$209 MO. 36 MOS. . . MAZDA MIATA. . . LEASE 1¢ DOWN \$219 MO. 36 MOS."

[The advertisement contains the following lease disclosure at the bottom of the page in small print: "Offer on '96 Protégé DX (LX shown) w/Conv. Pkg., MSRP \$14,720. Assumes \$1,325 dealer contribution. 36 mo. payments = \$6,809.04. Initial fees = \$439.15. Purchase option at lease end = \$7,654.40. Offer on '96 B2300 SE Reg. Cab (Cab Plus shown) w/ A/C & Pref. Equip. Grp., MSRP \$14,605. Assumes \$859 dealer contribution. 36 mo. payments = \$7,198.92. Initial fees = \$449.98. Purchase option at lease end = \$7,594.60. Offer on '96 626 DX w/ Conv. Pkg., MSRP \$17,540. Assumes \$1,241 dealer contribution. 36 mo. payments = \$7,532.64. Initial fees = \$459.25. Purchase option at lease end = \$9,471.60. Offer on '96 Miata w/ pwr. steering & mats, MSRP \$19,280. Assumes \$1,198 dealer contribution. 36 mo. payments = \$7,908.84. Initial fees = \$469.70. Purchase option at lease end = \$10,796.80. All leases incl. freight. Protégé/626/B2300 SE excl. CA/MA/NY emissions. \$450 Acq. fee + taxes, title, license, & registration also due at lease signing. Early termination = \$200. Lessee liable for \$.10/mile over

36,000, maintenance, repairs & excess wear/tear. Must take retail delivery by 4/1/96. See participating dealer for details & actual terms.")(Mazda Exhibit D)

FEDERAL TRADE COMMISSION ACT VIOLATIONS
COUNT I: MISREPRESENTATION IN LEASE ADVERTISING

5. Through the means described in paragraph four, respondent has represented, expressly or by implication, that the amount stated as "down" in respondent's lease advertisements is the total amount consumers must pay at lease inception to lease the advertised vehicles.

6. In truth and in fact, the amount stated as "down" in respondent's lease advertisements is not the total amount consumers must pay at lease inception to lease the advertised vehicles. Consumers must also pay additional fees beyond the amount stated as "down," such as the first month's payment, a security deposit, and/or an acquisition fee, at lease inception. Therefore, the representation as alleged in paragraph five was, and is, false or misleading.

7. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

COUNT II: FAILURE TO DISCLOSE ADEQUATELY IN LEASE ADVERTISING

8. In its lease advertisements, respondent has represented, expressly or by implication, that consumers can lease the advertised vehicles at the terms prominently stated in the advertisements, including but not necessarily limited to the monthly payment amount and/or amount stated as "down." These advertisements do not adequately disclose additional terms pertaining to the lease offer, including but not necessarily limited to a required security deposit, an acquisition fee, and/or the first month's payment due at lease inception. The existence of additional terms would be material to consumers in deciding whether to lease a Mazda vehicle. The failure to disclose adequately these additional terms, in light of the representation made, was, and is, a deceptive practice.

9. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

COUNT III: CONSUMER LEASING ACT AND REGULATION M VIOLATIONS

10. Respondent's lease advertisements, including but not necessarily limited to Mazda Exhibits A through D, state a monthly payment amount, the number of required payments, and/or an amount "down." The lease disclosures in these advertisements contain one or more of the following terms required by Regulation M: that the transaction advertised is a lease; the total amount of any payment such as a security deposit or capitalized cost reduction required at the consummation of the lease or that no such payments are required; the total of periodic payments due under the lease; a statement of whether or not the lessee has the option to purchase the leased property and at what price and time or the method of determining the purchase-option price; and a statement of the amount or method of determining the amount of any liabilities the lease imposes upon the lessee at the end of the term.

11. The lease disclosures in respondent's television lease advertisements, including but not necessarily limited to Mazda Exhibits A through C, are not clear and conspicuous because they appear on the screen in small type for a very short duration, accompanied by background sounds or images. The lease disclosures in respondent's print lease advertisements, including but not necessarily limited to Mazda Exhibit D, are not clear and conspicuous because they appear in small type.

12. Respondent's practices violate Section 184 of the Consumer Leasing Act, 15 U.S.C. 1667c, as amended, and Section 213.5(c) of Regulation M, 12 CFR 213.5(c), as amended.

Complaint

EXHIBIT A

Hunter
FCB FOOTE, CONE & BELDING
 4 Hutton Centre Drive, Santa Ana, CA 92707
 (714) 662-8500

CLIENT: MAZDA MOTOR OF AMERICA

As Produced: 3/10/96

JOB# : MAZD-DTP-T3626
 PRODUCT: Lease/Penny Down
 LENGTH: :30
 TITLE: Penny Down-Protege/626/Miata/Trk-L-30
 ORIGINAL ISC1:
 NEW ISC1: JQDB 0832 Page 1 of 3

VIDEOAUDIO:

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. OPEN ON MAN JUMPING THROUGH A RAIN OF PENNIES.
 <u>SUPERS:</u> MAZDA
 ONE PENNY DOWN
 ZOOMS IN AND FADES ON.</p> <p>2. CUT TO PROTEGE RUNNING FOOTAGE. CUT TO B2300 RUNNING FOOTAGE. SUPER APPEARS AS LINE AT BOTTOM WITH PENNY SPINNING APPEARS.
 <u>SUPER:</u> 36 MO. LEASES.
 <u>SUPER:</u> ENDS APRIL 1ST
 <u>DISC:</u> Closed-end leases to qualified lessees. Approval of Mazda American Credit & insurance required. Offer on '96 Protege DX w/ Conv. Pkg., MSRP \$14,720. Assumes \$1,325 dealer contribution. 36 mo. payments = \$6,809.04. Initial fees = \$439.15. Purchase option at lease end = \$7,654.40. Offer on '96 B2300 SE Reg. Cab w/ A/C</p> <p>3. CUT TO PROTEGE BADGE. CUT TO PROTEGE RUNNING FOOTAGE.
 <u>DISC:</u> (cont) and Pref. Equip. Grp., MSRP \$14,605. Assumes \$839 dealer contribution. 36 mo. payments = \$7,198.92. Initial fees = \$449.98. Purchase option at lease end = \$7,594.60. Offer on '96 626 DX w/ Conv. Pkg., MSRP \$17,540. Assumes \$1,241 dealer contribution. 36 mo. payments = \$7,532.64. Initial fees</p> <p>4. CUT TO PROTEGE RUNNING WITH GRAPHIC OF A PENNY SPINNING INTO FRAME.</p> <p>5. <u>SUPER:</u> \$189 A MO.</p> | <p>1. <u>SINGERS:</u> Mazda...One penny down.</p> <p>2. <u>VO:</u> One penny down. Great leases. Very little time.</p> <p>3. <u>VO:</u> On Protege.</p> <p>4. <u>SINGERS:</u> A penny (down).</p> <p>5. <u>VO:</u> And one eighty-nine.</p> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Exhibit A

Page 1 of 3 Pages

Complaint

123 F.T.C.

EXHIBIT A



FOOTE, CONE & BELDING
4 Hudson Centre Drive, Santa Ana, CA 92707
(714) 862-6500

CLIENT: MAZDA MOTOR OF AMERICA

As Produced: 3/10/96

JOB# : MAZD-DTP-T3626

PRODUCT: Lease/Penny Down

LENGTH: :30

TITLE: Penny Down-Protege/626/Miata/Trk-I - 30

ORIGINAL ISCI:

NEW ISCI: JQDB 0832

Page 2 of 3

VIDEO:AUDIO:

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|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>6. CUT TO B2300 BADGE. CUT TO BOY JUMPING THROUGH RAIN OF PENNIES.</p> <p>7. CUT TO RUNNING FOOTAGE OF TRUCK WITH GRAPHIC OF A PENNY SPINNING INTO FRAME.
<u>DISC:</u> (cont) = \$499.25. Purchase option at lease end = \$9,471.60. Offer on '96 Miata w/ pwr. steering & mats, MSRP \$19,280. Assumes \$1,198 dealer contribution. 36 mo payments = \$7,908.84. Initial fees = \$469.70. Purchase option at lease end = \$10,796.80. All leases incl. freight. Protege/626/B2300 SE excl. CA/MA/NY</p> <p>8. <u>SUPER:</u> \$199 A MO.</p> <p>9. CUT TO 626 BADGE.</p> <p>10. CUT TO MAN GRABBING PENNY.</p> <p>11. CUT TO 626 RUNNING WITH GRAPHIC OF A PENNY WIPING ON SUPER.
<u>DISC:</u> (cont) emissions. \$450 Acq. fee plus taxes, title, license & registration also due at lease signing. Early termination = \$200. Lessee liable for \$.10/mile over 36,000, maintenance, repairs & excess wear/tear. Must take retail delivery by 4/1/96. SEE PARTICIPATING DEALER FOR DETAILS AND ACTUAL TERMS.
<u>SUPER:</u> \$209 A MONTH</p> <p>12. RUNNING FOOTAGE OF MIATA.</p> <p>13. CUT TO GIRL WITH HAT.</p> | <p>6. <u>VO:</u> The B2300 SE.</p> <p>7. <u>SINGERS:</u> A penny down...</p> <p>8. <u>VO:</u> and one ninety-nine.</p> <p>9. <u>VO:</u> Six-two-six.</p> <p>10. <u>SINGERS:</u> A penny (down)...</p> <p>11. <u>VO:</u> and two-o-nine.</p> <p>12. <u>VO:</u> Miata.</p> <p>13. <u>SINGERS:</u> Mazda!</p> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Exhibit A

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Complaint

EXHIBIT A



FOOTE, CONE & BELDING

4 Hutton Centre Drive, Santa Ana, CA 92707
(714) 662-6500

CLIENT: MAZDA MOTOR OF AMERICA

As Produced: 3/10/96

JOBS : MAZD-DTP-T3626

PRODUCT: Lease/Penny Down

LENGTH: :30

TITLE: Penny Down-Protege/626/Miata/Trk-L-30

ORIGINAL ISCI:

NEW ISCI: JQDB 0832

Page 3 of 3

VIDEO:AUDIO:

14. CUT TO GIRL WITH HAT IN MIATA.
CUT TO MIATA RUNNING FOOTAGE
WITH GRAPHIC OF SPINNING PENNY.
SUPER: \$219 A MO.
15. CUT TO PROTEGE DRIVING AWAY
LOGO: MAZDA
PASSION FOR THE ROAD™
- 16.
17. CUT TO FALLING PENNIES WITH
MAN HOLDING ON TO ONE.
SUPER: ENDS APRIL 1.

14. VO: A penny and two nineteen.
15. SOLO: Passion for the road ...
SINGERS: Put your penny down!
- 16.
17. VO: Ends April 1st.

Exhibit A

Page 3 of 3 Pages

Complaint

123 F.T.C.

EXHIBIT B



FOOTE, CONE & BELDING
4 Hutton Centre Drive, Santa Ana, CA 92707
(714) 662-6500



JOB#: MAZD-NTP-T3632

PRODUCT: '96 626 DX

LENGTH: :30

TITLE: Passion -626 DX-0 Down/209 L-30

CLIENT: MAZDA MOTOR OF AMERICA

AS PRODUCED: 3/28/96

ORIGINAL ISCI: JQDB 0816

NEW ISCI: JQNB 0840

Page 1 of 2

VIDEOAUDIO

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| 1. OPEN ON QUICK CUTS OF DRIVER STARTING CAR AND 626 WITH EXPLOSION. | 1. SONG: I got a passion. |
| 2. QUICK CUTS OF LOCKED FENCE, 626 DRIVING ACROSS GRAPHIC WITH RUNNER FOLLOWED BY MORE EXPLOSIONS.
<u>SUPER: 626</u> | 2. VO: Six two six. |
| 3. 626 DRIVES OVER FRAME AS WOMAN APPEARS IN SKY WITH 626 IN BACKGROUND. | 3. SONG: Passion. |
| 4. CUT TO RUNNING FOOTAGE OF 626. | 4. VO: Total luxury. |
| 5. CUT TO GEAR SHIFT WITH LIGHTENING AS CAR DRIVES THROUGH TUNNEL.
<u>DISC:</u>
See dealer for limited-warranty details. Based on MSRP. | 5. SFX: (THUNDER CRASH.)
VO: Priced like a base Altima. |
| 6. QUICK CUTS OF 626 EXITING TUNNEL AND DRIVING ACROSS DESERT WITH MAN LOOKING ON. | 6. VO: Best basic warranty in its class. |
| 7. <u>SUPER: MAZDA</u>
FLOATS ACROSS SCREEN AS CAR DRIVES THROUGH DESERT. | 7. SONG: Mazda! |
| 8. QUICK CLOSE UPS OF 626. QUICK CUT OF 626 BADGE. | 8. VO: Six two six. |
| 9. QUICK CUTS OF 626 DRIVING IN FRONT OF PYRAMIDS. WOMAN WITH CAT EYES APPEARS IN FOREGROUND. | 9. SONG: Passion for the Road. |

Exhibit B

Page 1 Of 2 Pages

EXHIBIT B



FOOTE, CONE & BELDING

4 Hutton Centre Drive, Santa Ana, CA 92707
(714) 662-6500

CLIENT: MAZDA MOTOR OF AMERICA

JOB# : MAZD-NTP-T3632

PRODUCT: '96 626 DX

LENGTH: :30

TITLE: Passion -626 DX-0 Down/209 L-3'

AS PRODUCED: 3/28/96

ORIGINAL ISCI: JQDB 0816

NEW ISCI: JQNB 0840

Page 2 of 2

VIDEOAUDIO

- | | | | |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|--------------------------------|
| 10. | QUICK CUTS OF RUNNING FOOTAGE OF 626. | 10. | VO: Lease a 626 ... |
| 11. | CUT TO TITLES.
SUPER: From \$0 DOWN
\$209 A MO.
36 MONTHS. | 11. | zero down, two-o-nine a month. |
| 12. | CUT TO 626 DRIVING ACROSS DESERT.
DISC: 626 LX shown, net MSRP \$17,695. Closed-end lease to qualified lessees on a '96 626 DX with Conv. Pkg., MSRP \$17,540 incl. freight, excl. CA/NY/MA emissions. Assumes \$1,241 dealer contribution. Approval of Mazda | 12. | SONG: Ooh, ooh Mazda! |
| 13. | CONTINUE RUNNING FOOTAGE ACROSS DESERT AS SCREEN SPLITS AS CAR DRIVES ON AND MATCH IS BLOWN OUT.
DISC: (cont.) American Credit & insurance required. 36 monthly payments = \$7,551. Initial fees = \$459.75 plus \$450 acq. fee, taxes, title, license & registration. Early termination fee = \$200. Lessee liable for \$.10/mi over 36,000. | 13. | |
| 14. | CONTINUE RUNNING FOOTAGE OF 626 AS SUPER COMES UP.
SUPER: 626
DISC: (cont.) maintenance, repairs & excess wear/tear. Purchase option at lease end = \$9,471.60. Must take delivery by 4/30/96. SEE PARTICIPATING DEALERS FOR DETAILS AND ACTUAL TERMS. Prices slightly higher in HI. | 14. | VO: Six two six. |
| 15. | CUT TO 626 DRIVING AWAY ACROSS DESERT.
SUPER:
MAZDA
Passion for the Road™ | 15. | SONG: Passion for the Road. |

Exhibit B

Page 2 of 2 Pages

Complaint

123 F.T.C.

EXHIBIT C



FOOTE, CONE & BELDING
4 Hutton Centre Drive, Santa Ana, CA 92707
(714) 662-6500

CLIENT: MAZDA MOTOR OF AMERICA

TYPE OF SCRIPT:

☒ **NATIONAL**
☐ **REGIONAL**

JOB#: MAZD-DTP-T3631

PRODUCT: 626, Protégé, B2300 SE-5

LENGTH: :30

TITLE: Jump-626/Prot/SE-5-L-30

As Produced: 5/9/96

ORIGINAL ISCI:

NEW ISCI: JQNB 0900

Page 1 of 4

VIDEO**AUDIO**

- | | |
|--------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| 1. OPEN ON BIG MAZDA LOGO. LOGO ZOOMS IN, AWAY FROM CAMERA. | 1. <u>MUSIC UP</u>
<u>SINGERS: MAZDA...</u> |
| 2. CUT TO MAN JUMPING INTO FRAME, IN FRONT OF LOGO. | 2. <u>SINGERS: ...JUMP!</u> |
| 3. EVENT TITLE BUILDS OVER HYPER STREET. | 3. <u>ANNCR VO: It's Mazda Jump...</u> |
| 4. <u>SUPER:</u>
MAZDA JUMP ON SUMMER | 4. <u>ANNCR VO: ...On Summer.</u> |
| 5. CAR PUSHES THROUGH EVENT TITLE
<u>SUPER:</u>
ZERO DOWN LEASES
36 MONTHS | 5. <u>ANNCR VO: Zero down leases.</u> |
| 6. <u>SUPER:</u>
ENDS JUNE 3RD | 6. <u>ANNCR VO: Ends June 3rd.</u> |
| 7. CUT TO WOMAN BY VEHICLE. SHE DOES A "PSYCHED" JUMP. | 7. <u>SINGERS: JUMP!</u> |
| 8. CUT TO PROTEGE BADGE. | 8. <u>ANNCR VO: On Protégé.</u> |
| 9. MAZDA PROTEGE RUNNING FOOTAGE.
<u>SUPER:</u>
\$0 DOWN PYMT. | 9. <u>ANNCR VO: Zero,</u> |

Exhibit C

Page 1 of 4 Pages

EXHIBIT C



FOOTE, CONE & BELDING
4 Hutton Centre Drive, Santa Ana, CA 92707
(714) 662-6500

CLIENT: MAZDA MOTOR OF AMERICA

TYPE OF SCRIPT:

☒ NATIONAL
☐ REGIONAL

JOB#: MAZD-DTP-T3631

PRODUCT: 626, Protegé, B2300 SE-5

LENGTH: :30

TITLE: Jump-626/Prot/SE-5-L-30

As Produced: 5/9/96

ORIGINAL ISCI:

NEW ISCI: JQNB 0900

Page 2 of 4

VIDEOAUDIO

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| <p>10. PROTEGE RUNNING FOOTAGE.
<u>SUPER:</u>
\$189 A MONTH WELL-EQUIPPED
<u>DISC:</u> Closed-end leases to qualified lessees. Approval of Mazda American Credit & insurance required. Offer on '96 Protegé DX w/ Conv. Pkg., MSRP \$14,720. Assumes \$1,325 dealer contribution. 36 mo. pymts = \$6,836.04. Initial fees = \$439.89. Purchase option at lease end = \$7,507.20. Offer on '96 B2300 SE Reg Cab w/ A/C &</p> | <p>10. <u>ANNCR VO:</u> and one eighty-nine.</p> |
| <p>11. CUT TO MAN</p> | <p>11. <u>SINGERS:</u>
JUMP! JUMP! JUMP!</p> |
| <p>12. CUT TO B2300 BADGE.</p> | <p>12. <u>ANNCR VO:</u>
B2300 SE-5.</p> |
| <p>13. MAZDA B2300 RUNNING FOOTAGE.
<u>SUPER:</u>
\$0 DOWN PYMT.</p> | <p>13. <u>ANNCR VO:</u>
Zero.</p> |
| <p>14. B2300 RUNNING FOOTAGE.
<u>SUPER:</u>
\$199 A MONTH FULLY LOADED SE-5.
<u>DISC:</u> (cont) Pref. Equip. Grp., MSRP \$14,605. Assumes \$1,888 dealer contribution. 36 mo. pymts = \$7,193.16. Initial fees = \$449.81. Purchase option at lease end = \$7,740.65. Offer on '96 626 DX w/ Conv. Pkg., MSRP \$17,540. Assumes \$1,241 dealer contribution. 36 mo. pymts = \$7,558.20. Initial fees = \$459.95. Purchase option at lease end = \$9,647.</p> | <p>14. <u>ANNCR VO:</u> and one ninety-nine.</p> |

Exhibit C

Page 2 of 4 Pages

Complaint

123 F.T.C.

EXHIBIT C



FOOTE, CONE & BELDING
4 Hutton Centre Drive, Santa Ana, CA 92707
(714) 662-6500

CLIENT: MAZDA MOTOR OF AMERICA

TYPE OF SCRIPT:

☒ **NATIONAL**
☐ **REGIONAL**

JOB#: MAZD-DTP-T3631

PRODUCT: 626, Protegé, B2300 SE-5

LENGTH: :30

TITLE: Jump-626/Prot/SE-5-L-30

ORIGINAL ISCI:

NEW ISCI: JQNB 0900

Page 3 of 4

As Produced: 5/9/96

VIDEOAUDIO

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| 15. WOMAN JUMPING OFF BED OF TRUCK ONTO GUY'S BACK. | 15. <u>SINGERS:</u> JUMP! |
| 16. CUT TO 626 BADGE. | 16. <u>ANNCR VO:</u>
six-two-six. |
| 17. CUT TO WOMAN DOING HIGH FIVE. | 17. <u>SINGERS:</u> MAZDA ... |
| 18. 626 RUNNING FOOTAGE.
<u>SUPER:</u>
\$0 DOWN PYMT. | 18. <u>ANNCR VO:</u>
Zero. |
| 19. 626 RUNNING FOOTAGE.
<u>SUPER:</u>
\$209 A MONTH WELL-EQUIPPED.
<u>DISC:</u> (cont) All leases incl. freight, excl. CA/MA/NY emissions. \$450 Acq. Fee plus taxes, title, license & registration also due at lease signing. Early termination = \$200. Lessee liable for \$.10/mile over 36,000, maintenance, repairs & excess wear/tear. Must take retail delivery by 6/3/96. SEE PARTICIPATING DEALERS FOR DETAILS AND ACTUAL TERMS. | 19. <u>ANNCR VO:</u>
and two-o-nine. |
| 20. MAZDA LOGO COMES UP OVER DESERT ROAD.
<u>SUPER:</u>
MAZDA
PASSION FOR THE ROAD™ | 20. <u>SINGERS:</u>
...PASSION FOR THE ROAD. |
| 21. <u>SUPER:</u> MAZDA JUMP ON-SUMMER. | 21. |

Exhibit C

Page 3 of 4 Pages

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Complaint

EXHIBIT C



FOOTE, CONE & BELDING
4 Hudson Centre Drive, Santa Ana, CA 92707
(714) 662-6500

CLIENT: MAZDA MOTOR OF AMERICA

TYPE OF SCRIPT:

☒ NATIONAL
☐ REGIONAL

JOB#: MAZD-DTP-T3631

PRODUCT: 626, Protégé, B2300 SE-5

LENGTH: :30

TITLE: Jump-626/Prot/SE-5-L-30

ORIGINAL ISCI:

NEW ISCI: JQNB 0900

Page 4 of 4

As Produced: 5/9/96

VIDEOAUDIO

22. CLOSE UP OF WOMAN JUMPING
INTO AIR TOWARDS CAMERA.
23. SUPER:
ZERO DOWN LEASES
36 MONTHS
24. SUPER:
ENDS JUNE 3RD.
25. TITLE JUMPS IN SYNC WITH
MUSIC.

22. ANNCR VO:
Jump on it.
23. SINGERS:
Jump
24. ANNCR VO: Zero down ...
ends June 3rd.
25. SINGERS: JUMP!

Exhibit C

Page 4 of 4 Pages

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent 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 the respondent with violation of the Federal Trade Commission Act; and

The respondent, its attorneys, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent 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 the respondent that the law has been violated as alleged in such complaint, or that the facts as alleged in such complaint, other than jurisdictional facts, are true 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 respondent has violated the said Act, 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. Respondent Mazda Motor of America, Inc. is a California corporation with its principal office or place of business located at 7755 Irvine Center Drive, Irvine, California.

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.

Decision and Order

123 F.T.C.

ORDER

DEFINITIONS

1. "*Clearly and conspicuously*" as used herein shall mean: 1) video or written disclosures must be made in a manner that is readable and understandable to a reasonable consumer and 2) audio or oral disclosures must be made in a manner that is audible and understandable to a reasonable consumer.

2. "*Total amount due at lease inception*" as used herein shall mean the total amount of any initial payments required to be paid by the lessee on or before consummation of the lease or delivery of the vehicle, whichever is later, excluding dealer and government mandated fees and charges (if any).

3. Unless otherwise specified, "*respondent*" as used herein shall mean Mazda Motor of America, Inc., its successors and assigns, and its officers, agents, representatives, and employees.

4. "*In or affecting commerce*" as used herein shall mean as defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. 44.

I.

It is ordered, That respondent, directly or through any corporation, subsidiary, division, or any other device, in connection with any advertisement to aid, promote, or assist, directly or indirectly any consumer lease in or affecting commerce, as "advertisement" and "consumer lease" are defined in Section 213.2 of revised Regulation M, 61 Fed. Reg. 52,246, 52,258 (Oct. 7, 1996)(to be codified at 12 CFR 213.2) ("revised Regulation M"), as amended, shall not, in any manner, expressly or by implication:

A. Misrepresent the total amount due at lease inception, the amount down, and/or the downpayment, capitalized cost reduction, or other amount that reduces the capitalized cost of the vehicle (or that no such amount is required).

B. Make any reference to any charge that is part of the total amount due at lease inception or that no such charge is required, not including a statement of the periodic payment, more prominently than the disclosure of the total amount due at lease inception.

C. State the amount of any payment or that any or no initial payment is required at lease inception unless all of the following items are disclosed clearly and conspicuously, as applicable:

1. That the transaction advertised is a lease;
2. The total amount due at lease inception;
3. That a security deposit is required;
4. The number, amount, and timing of scheduled payments; and
5. That an extra charge may be imposed at the end of the lease term in a lease in which the liability of the consumer at the end of the lease term is based on the anticipated residual value of the vehicle.

II.

It is further ordered, That an advertisement that complies with subparagraph I.C shall be deemed to satisfy the requirements of Section 184(a) of the Consumer Leasing Act, 15 U.S.C. 1667c(a), as amended by Title II, Section 2605 of the Omnibus Consolidated Appropriations Act for Fiscal Year 1997, Pub. L. No. 104-208, 110 Stat. 3009, _____ (Sept. 30, 1996) ("revised CLA"), as amended, and Section 213.7(d)(2) of revised Regulation M, 61 Fed. Reg. at 52,261 (to be codified at 12 CFR 213.7(d)(2)), as amended.

III.

It is further ordered, That if the revised CLA, as amended, or revised Regulation M, as amended, are amended in the future to alter definition 2 of this order ("total amount due at lease inception") or to require or permit advertising disclosures that are different from those set forth in subparagraphs I.B or I.C of this order, then the change or changes shall be incorporated in subparagraph I.B, subparagraph I.C, and/or definition 2 for the purpose of complying with subparagraphs I.B and I.C only, as appropriate; provided however, that all other requirements of this order, including definition 1 ("clearly and conspicuously"), will survive any such revisions.

IV.

It is further ordered, That respondent Mazda Motor of America, Inc., and its successors and assigns, shall, for five (5) years after the date of service of this order, maintain and upon request make

available to the Commission for inspection and copying all records that will demonstrate compliance with the requirements of this order.

V.

It is further ordered, That respondent Mazda Motor of America, Inc. and its successors and assigns, shall distribute a copy of this order to all current and future principals, officers, directors, managers, employees, agents, and representatives having responsibilities with respect to the subject matter of this order and to all advertising agencies; and shall secure from each such person or entity a signed and dated statement acknowledging receipt of the order. Respondent shall deliver this order to current personnel or entities within thirty (30) days after the date of service of this order, and to such future personnel or entities within thirty (30) days after the person or entity assumes such position or responsibilities.

VI.

It is further ordered, That respondent Mazda Motor of America, Inc. and its successors and assigns shall notify the Commission at least thirty (30) days prior to any change in the corporation(s) that may affect compliance obligations arising under this order, including but not limited to a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in the corporate name or address. Provided, however, that, with respect to any proposed change in the corporation about which respondent learns less than thirty (30) days prior to the date such action is to take place, respondent shall notify the Commission as soon as is practicable after obtaining such knowledge. All notices required by this Part shall be sent by certified mail to the Associate Director, Division of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C.

VII.

It is further ordered, That respondent Mazda Motor of America, Inc. and its successors and assigns shall, within one hundred and

twenty (120) days after the date of service of this order, and at such other times as the Federal Trade Commission may require, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

VIII.

This order will terminate on February 6, 2017, or twenty (20) years from the most recent date that the United States or the Federal Trade Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; provided, however, that the filing of such a complaint will not affect the duration of:

A. Any Part in this order that terminates in less than twenty (20) years;

B. This order's application to any respondent that is not named as a defendant in such complaint; and

C. This order if such complaint is filed after the order has terminated pursuant to this Part.

Provided, further, that if such complaint is dismissed or a federal court rules that the respondent did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order will terminate according to this Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later of the deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

Complaint

123 F.T.C.

IN THE MATTER OF

CALIFORNIA SUNCARE, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SECS. 5 AND 12 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3715. Complaint, Feb. 11, 1997--Decision, Feb. 11, 1997*

This consent order prohibits, among other things, a California-based company and its president from misrepresenting the safety, benefits, performance or efficacy of tanning products and UV exposure, or any tests, studies or endorsements of their tanning products. The consent order requires the respondents to possess scientific evidence to substantiate such claims, and to send letters to distributors and retailers summarizing the Commission's action.

Appearances

For the Commission: *Joel Winston, Nancy Warder, Laura Fremont and Toby M. Levin.*

For the respondents: *Andrew J. Strenio, Jr., Hunton & Williams, Washington, D.C. and Norm D. St. Landau, Tucker, Flyer & Lewis, Washington, D.C.*

COMPLAINT

The Federal Trade Commission, having reason to believe that California SunCare, Inc., a corporation, and Donald J. Christal, individually and as an officer of said corporation ("respondents"), have violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. Respondent California SunCare, Inc., is a California corporation, with its principal office or place of business at 1100 Glendon Avenue, Suite 1250, Los Angeles, California.

Respondent Donald J. Christal is an officer of the corporate respondent. Individually or in concert with others, he formulates, directs and controls the acts and practices of the corporate respondent, including the acts and practices alleged in this complaint. His principal office and place of business is the same as that of the corporate respondent.

PAR. 2. Respondents have manufactured, advertised, labeled, offered for sale, sold, and distributed skin care products for use in

connection with tanning in sunlight or indoor UV radiation emitted by tanning beds and artificial sunlamps, and other products. These skin care products are sold under the trade name Heliotherapy™ and the brand name California Tan® (hereinafter referred to as "California Tan Heliotherapy products"). California Tan Heliotherapy products are "drugs" or "cosmetics" within the meaning of Sections 12 and 15 of the Federal Trade Commission Act.

PAR. 3. The acts and practices of respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act.

PAR. 4. Respondents have disseminated or have caused to be disseminated advertisements and promotional materials for California Tan Heliotherapy products, including but not necessarily limited to the attached Exhibits A-J. These advertisements and promotional materials contain the following statements and depictions:

A. "I love the sun, but how can I feel good about tanning?"
Heliotherapy™ . . . The Positive Effects of The Sun™

While overexposure to the sun and burning are bad for you, medical studies demonstrate that, in moderation, exposure to sunlight is crucial for the maintenance of good physical and psychological health. Besides making you feel good about how you look, numerous studies indicate that little to no exposure to the sun may be equally as bad, if not worse, to your overall health as too much sun.

Did You Know?

....

*Exposure to sunlight increases the body's ability to metabolize cholesterol, leading to a 13% decrease in blood cholesterol levels. (New England Medical Journal, 1953)

* Studies indicate that exposure to UV light may have similar effects as exercise: a decrease in blood pressure, a lower resting heart rate and a 39% increase in the heart's output of blood. (University of Frankfurt, Germany, 1992)

* Seasonal Affective Disorder (SAD), with symptoms such as as [sic] sadness, insomnia and carbohydrate cravings, is common in northern areas where exposure to sunlight in winter months is significantly decreased. (National Institute of Mental Health, 1985)

* Of course, no single study or studies may prove scientific fact. As further studies are done, science will tell us more about the effects of sun exposure. However, as these studies emphasize, the sun may have positive as well as negative effects.

REMEMBER! The key to maximizing the positive effects of the sun is to achieve the perfect balance. Take care to get just the right amount of sun to maintain your health, but don't ever allow yourself to burn. REPEATED OVEREXPOSURE TO THE SUN CAN LEAD TO PREMATURE AGING, WRINKLING AND SKIN CANCER.

Moderate exposure, however, in combination with the use of California Tan's exclusive Heliotherapy™ formulas can help you to optimize a proven positive effect of the sun - your tan.

CAUTION: California Tan® products are intended to be used for tanning and moisturization only. They ARE NOT intended to produce any of the reported physiological and psychological benefits of the sun that are described above. Studies provided by California Tan's Scientific Research Center (Exhibit A, brochure)

B. VITATAN™ The Tanning Technology of the Future

* VITATAN™ delivers an additional molecule of oxygen to the surface of the skin which significantly enhances the oxidation of melanin for faster tanning results. When compared to Unipertan, products containing 2% VITATAN™ help improve your natural ability to develop a golden brown base tan by up to 67%.

Heliotherapy™ Maximizer - VT™

[new page]

Heliotherapy™ . . . The Positive Effects of The Sun™

California Tan's Scientific Research Center, a panel of renowned scientists and researchers, reviews thousands of studies on the effects of sunlight. Inspired by Heliotherapy™ . . . The Positive Effects of the Sun™, California Tan® created the complete Heliotherapy™ three step system to help you maximize a proven positive effect of the sun - your tan.

CONDITION

MEDICAL EFFECT

AIDS

AIDS is a fatal and incurable epidemic

Preliminary studies indicate that phototherapy may be beneficial in treating patients with AIDS-related complex.

Cancer Prevention

Breast and colon cancer can be fatal if not detected early.

Sunlight exposure may prevent certain types of cancer: colon and breast cancer rates are three times higher in northern states like New Hampshire and Vermont compared to sunny states like New Mexico and Arizona.

. . . .

Fitness

Fitness increases energy and reduces risk of heart disease.

Exposure to sunlight may have similar effects to exercise: decreased blood pressure, lower resting heart disease and a 39% increase in the output of blood.

[each "MEDICAL EFFECT" accompanied by citation]

Studies provided by California Tan's Scientific Research Center

While these studies indicate a wealth of benefits may result from sun exposure, no single study or studies may prove scientific fact. As research continues, science will reveal more about the effects of the sun. These studies emphasize that the sun may have positive as well as negative effects.

Remember!

To maximize the benefits of sun exposure you must achieve balance. . . .

REPEATED OVEREXPOSURE TO THE SUN CAN LEAD TO PRE-MATURE AGING, WRINKLING AND SKIN CANCER.

However, moderate exposure in combination with California Tan's exclusive Heliotherapy™ formulas can help you optimize the beneficial aspects of having a

spectacular, golden brown tan while minimizing the negative effects of skin dehydration.

Caution:

California Tan® products are intended to be used for tanning and moisturization only. They ARE NOT intended to produce any of the reported possible physiological and psychological benefits of the sun that are described above and California Tan® does not represent that such benefits result from the use of its products.

HELIO THERAPY (Exhibit B, brochure)(sources for each medical effect omitted)

C. Heliotherapy™ . . . The Positive Effects of The Sun™

2 * What is Heliotherapy?

he-li-o-ther-a-py. . . [HELIO- + THERAPY] the treatment of disease by exposing the body to sunlight Heliotherapy is a science, documented by thousands of scientific studies which have been conducted on the benefits of sun exposure. Acknowledged and practiced by the American Medical Association, heliotherapy is the treatment of disease by means of the sun's electromagnetic waves. Red, orange, yellow, green, blue, indigo, violet, and mid and near ultraviolet waves are used whether collectively or independently to treat and cure everything from acne to jaundice.

Did you know that?

*Heliotherapy is the only known cure for Seasonal Effective [sic] Disorder, a cyclic mood disorder caused by sunlight deprivation during fall and winter months.

*Currently, AIDS research clinics use heliotherapy as an effective tool for boosting the body's immune system.

. . . .

*Scientists at the Baylor University Medical Center have successfully used heliotherapy to destroy the AIDS virus and other infectious diseases and are developing heliotherapy to decontaminate blood for transfusions. . . .

While fully recognizing that long term overexposure to the sun and burning can result in skin cancer, premature aging and wrinkling in some cases, the science of heliotherapy supports that the sun also offers many benefits. In the months to come, California Tan's Scientific Research Center will uncover the FACTS about Heliotherapy™ ... The Positive Effects of The Sun™.

Studies provided by California Tan's Scientific Research Center

. . . .

1-800-SUN-CARE

CALIFORNIA

TAN®

The science of heliotherapy has inspired the California Tan® Heliotherapy™ line of products. These products are intended to be used for tanning and moisturization only and not for any of the psychological or physiological benefits described in this advertisement.

SOLD IN SALONS

(Exhibit C, magazine ad)

D. Is Sunlight the Answer for cancer prevention?

New studies from the University of California, San Diego indicate that exposure to sunlight may play an important role in the prevention of certain types of cancer. While long-term overexposure to the sun and burning can be harmful, this research

shows that the sun may have many properties that help prevent breast, colon and ovarian cancer.

As a leader in the study of Heliotherapy, California Tan's Scientific Research Center has uncovered thousands of studies demonstrating the benefits of UV-exposure.

Studies by Dr. Edward Gorham at the University of California, San Diego, show that the incidence of breast cancer is lowest in countries nearest the equator where the opportunity for sunlight exposure is highest. Vitamin D produced by exposure to sunlight is associated with a lower rate of fatal breast cancer.

Vitamin D produced by exposure to sunlight is associated with a lower risk of fatal breast cancer. [banner]

It's not surprising that within the U.S., colon and breast cancer rates are three times higher in northern states like New Hampshire and Vermont compared to sunny states like New Mexico and Arizona, according to research conducted by Dr. Frank Garland at the University of California, San Diego.

In addition, the Melanoma Clinic at the University of Sydney, Australia released new research showing that the lowest incidence of skin cancer occurs in those people whose main occupation is outdoors.

While the jury is still out on the true effects of sun exposure, the science of Heliotherapy indicates that the sun is necessary for our health and well being. Experts agree that overexposure and burning can lead to skin cancer in some cases. However, with moderation, exposure to sunlight may bring us many benefits.

....
CALIFORNIA TAN® Heliotherapy™ . . . The Positive Effect of The Sun™
(Exhibit D, magazine ad)

E. From high blood pressure to AIDS . . . Is Sunlight the Cure of the '90's?
Although the experts warn against long-term overexposure to the sun and burning, new research points to the healing powers of the sun....

Today, people are looking for more natural cures for everything from common ailments to serious diseases. As a major contributor to the science of Heliotherapy™, California Tan's Research Center has uncovered hundreds of studies demonstrating the positive effects of sun exposure.

*In a recent study by Dr. Zane Kime, patients with high blood pressure experienced a dramatic decrease in blood pressure lasting five to six days after just one treatment of UV- light. . . .

*According to studies conducted by Dr. Norman Rosenthal at the National Institute of Mental Health, light treatment is the most effective cure for Seasonal Affective Disorder (SAD), or the winter blues.

*UV-light treatment is on the forefront of the search for an AIDS cure. Scientists at Baylor University Medical Center have used light to destroy the AIDS virus and other infectious diseases.

Even though the jury is still out on the true effects of sun exposure, we are now discovering that the sun plays an important role in the maintenance of good health. Through the science of Heliotherapy™, we are learning that balance is most important. Overexposure and burning can lead to skin cancer in some cases. However, in the right amounts, we can benefit from the sun's healing powers.

....
CALIFORNIA TAN®
Heliotherapy™ . . . The Positive Effects of The Sun™
(Exhibit E, magazine ad)

F. Heliotherapy™ The Positive Effects of The Sun™
CALIFORNIA TAN®

California Tan's Scientific Research Center, a panel of renowned doctors, researchers and dermatologists, reviews thousands of studies each year about the positive and negative effects of UV-light. Overexposure and burning are bad for you and may lead to premature aging and skin cancer. However, medical evidence shows that sunlight is connected to everything from osteoporosis prevention to vitamin D synthesis.

[picture of California Tan Heliotherapy products]

Inspired by the science of Heliotherapy, California Tan® has created scientifically proven formulations to help you maximize a proven positive effect of the sun - your tan. [caption]

CANCER PREVENTION: Research from Dr. Cedric Garland at the University of California, San Diego suggests that sunlight may prevent certain types of cancer: colon and breast cancer rates are three times higher in northern states compared to sunny southern states. OSTEOPOROSIS: A new study by Dr. J. Rosen demonstrates that reduced winter sunlight can lead to osteoporosis and the vitamin D deficient bone disease osteomalacia (adult rickets). SEASONAL AFFECTIVE DISORDER (SAD): A 1993 study by Dr. A. Wirz-Justice shows that 70% of SAD patients show improvement after light treatment, the only known cure for the "winter blues." SKIN CANCER: Skin cancer has been linked to non-UV causes: diet, genetics, and alcohol, according to a 1992 study by Dr. L. Marchand. VITAMIN D: A 1990 study by Dr. Matsuoka shows that vitamin D, which regulates calcium and phosphorus absorption and is needed to maintain a healthy skeleton, is produced during the tanning process.

California Tan products are intended to be used for tanning and moisturization only. They ARE NOT intended to produce any of the reported possible physiological and psychological benefits of the sun that are described above.

(Exhibit F, magazine ad)

G. CALIFORNIA TAN® TROPICAL FURY™
Heliotherapy™ MAXIMIZER™ Maximize The Positive Effects of the Sun™

....
A unique, scientifically proven blend of California Tan's Heliotherapy™ MAXIMIZER Complex provides the most effective moisturization to help you achieve up to 42% better tanning results and counteract the drying effects of the sun for a spectacular, golden brown tan.

....
CALIFORNIA TAN®
Heliotherapy™ . . . The Positive Effects of The Sun™

California Tan's exclusive Heliotherapy™ formulas are a precise, scientifically proven combination of state-of-the-art skin care and tanning ingredients that help you maximize a proven positive effect of the sun - your tan!

While it's true that over exposure to the sun and burning are bad for you, medical science has also discovered that, in moderation, exposure to the sun is crucial to the maintenance of good physical and psychological health.

In addition to the fact that a tan makes you feel good about how you look, a number of studies have noted that little to no sun exposure may be equally as bad, if not worse, to your overall health as too much sun.

DID YOU KNOW THAT?

*According to a study conducted by the University of Sydney and Melanoma Clinic in 1982, the people with the lowest risk of skin cancer were those whose main outdoor activity was sunbathing.(see note 1)

*The same study also found that the highest incidence of skin cancer occurred in those who spent most of their time indoors under fluorescent lighting which is deficient of the ultraviolet portion of the sun spectrum.(see note 2)

....

*In a 1980 study, it was concluded that exposure to sunlight produces the same benefits as exercise: increases in strength, energy, endurance, tolerance to stress, and the ability of the blood to absorb and carry oxygen; and decreasing the resting heart rate, blood pressure, respiratory rate, blood sugar and lactic acid.(see note 6)

....

*Researchers also found that the dietary vitamin D found in milk and vitamin supplements is not a sufficient replacement to the vitamin D that is produced by exposure to the sun for the maintenance of healthy bones and teeth and at high levels, dietary vitamin D has been found to be very toxic.(see note 8)

*Studies indicate that exposure to ultra-violet light is an effective tool for lowering elevated blood pressure.(see note 9)

*According to a recent study conducted at the Tulane University, the heart became stronger and pumped more blood when the subjects were exposed to ultra-violet light.(see note 10)

....

*Sunlight has been scientifically proven in numerous studies to reduce serum cholesterol levels.(see note 12)

*In a study conducted by The American Society for the Study of Arteriosclerosis, 97% of the subjects had a 13% decrease in the level of cholesterol within two hours after the first exposure.(see note 13)

....

*In 1987, the Wall Street Journal reported that chickens raised under full-spectrum lighting, the closest match to natural sunlight, lived twice as long, laid more eggs, were less aggressive, and laid eggs that were 25% lower in cholesterol than chickens raised under fluorescent lighting.(see note 15)

....

Of course, no single study or studies may prove scientific fact. And as further studies are done, science will tell us more about the effects of sun exposure. But these studies emphasize that the sun may have positive as well as negative effects.

REMEMBER!

The key to maximizing the positive effects of the sun is to achieve the perfect balance. Take care to get just the right amount of sun to maintain your health, but don't ever allow yourself to burn. REPEATED OVEREXPOSURE TO THE SUN CAN LEAD TO PRE-MATURE AGING, WRINKLING AND SKIN CANCER. Moderate exposure, however, in combination with the use of California Tan's exclusive Heliotherapy™ formulas can help you optimize the beneficial aspects of having a spectacular, golden brown tan while minimizing the negative effects of over exposure and skin dehydration.

CALIFORNIA TAN®

Heliotherapy™

ACHIEVE A SPECTACULAR DEEP DARK, TAN
AND FEEL GOOD ABOUT IT

CAUTION

California Tan products are intended TO BE USED FOR TANNING AND MOISTURIZATION ONLY. They ARE NOT intended to produce any of the physiological and psychological benefits of the sun that the studies describe.

Studies provided by California Tan's Scientific Research Center

(Exhibit G, Tropical Fury Heliotherapy™ Maximizer label)(references omitted)

H. Heliotherapy™ Update

CALIFORNIA TAN®

Heliotherapy™ The Positive Effects of the Sun™

Only California Tan's exclusive Heliotherapy™ formulas are the precise scientifically proven combination of extraordinary skin care and tanning ingredients to help you maximize a proven positive effects of the sun ... your tan. While overexposure to the sun and burning are bad for you, medical studies demonstrate that, in moderation, exposure to sunlight is crucial for the maintenance of good physical and psychological health.

Besides making you feel good about how you look, numerous studies demonstrate that little to no exposure to the sun may be equally as bad, if not worse, to your overall health as too much sun.

Did You Know That?

*Sunlight is the only reliable source of vitamin D and provides the vitamin D requirement for most of the world's population. (Boston University, 1989)

....

*Exposure to sunlight increases the body's ability to metabolize cholesterol, leading to a 13% decrease in blood cholesterol levels. (New England Medical Journal, 1953)⁴

*Studies indicate that exposure to UV light may have similar affects [sic] as exercise: decreased blood pressure, lower resting heart rate and a 39% increase in output of blood. (University of Frankfurt, Germany, 1992)⁵

*Seasonal Affective Disorder (SAD), with symptoms such as as [sic] sadness, insomnia, carbohydrate cravings, anxiety and irritability, is commonly found in northern areas where exposure to sunlight in winter months is significantly decreased. (National Institute of Mental Health, 1985)⁶

....

*Studies indicate that people with the lowest risk of skin cancer are those whose main occupation is outdoors. (Lancet, 1982)⁹

*Significant seasonal bone loss, as a result of inadequate vitamin D formation, occurs in people who live in areas with reduced winter sunlight. Bone loss can lead to Osteoporosis and Osteomalacia, a softening of the bones. (University of Maine, 1993)¹¹

*Colon and breast cancer deaths are three times higher in northern states like New Hampshire and Vermont compared to sunny states like New Mexico and Arizona. (University of California, San Diego, 1986)¹²

....

Of course, no single study or studies may prove scientific fact. As further studies are done, science will tell us more about the effects of sun exposure. However, as these studies emphasize, the sun may have positive effects as well as negative effects.

Complaint

123 F.T.C.

Remember!!

The key to maximizing the positive effects of the sun is to achieve the perfect balance. Take care to get just the right amount of sun to maintain your health, but don't ever allow yourself to burn. REPEATED OVEREXPOSURE TO THE SUN CAN LEAD TO PRE-MATURE AGING, WRINKLING AND SKIN CANCER. However, moderate exposure in combination with the use of California Tan's exclusive Heliotherapy™ formulas can help you optimize the beneficial aspects of having a spectacular, golden brown tan while minimizing the negative effects of overexposure and dehydration.

.....

CAUTION:

California Tan® products are intended to be used for tanning and moisturization only. They ARE NOT intended to promote any of the reported physiological and psychological benefits of the sun that are described above.

Studies provided by California Tan's
Scientific Research Center

(Exhibit H, Tropical Sizzle Heliotherapy™ Maximum Strength Intensifier label)(citations omitted)

I. Heliotherapy™ . . . The Positive Effects of the Sun™

California Tan's Scientific Research Center, a panel of the world's most renowned scientists, reviews thousands of studies relating to light and health which inspired California Tan to create its exclusive Heliotherapy™ three step system that contains the precise combination of proven tanning and skin care ingredients to help you maximize a positive effect of the sun - your tan. Burning and overexposure are bad for you. But sunlight is essential for your psychological and physiological good health.

HELIO THERAPY™ REFERENCE CHART**CONDITION****MEDICAL EFFECT****AIDS**

AIDS is a fatal and incurable epidemic.

Preliminary studies indicate that phototherapy may be beneficial in treating patients with AIDS-related complex.

Cancer Prevention

Breast and colon cancer can be fatal if not detected early.

Sunlight exposure may prevent certain types of cancer: colon and breast cancer rates are three times higher in northern states like New Hampshire and Vermont compared to sunny states like New Mexico and Arizona.

.....

Fitness

Fitness increases energy and reduces risk of heart disease.

Exposure to sunlight may have similar effects as exercise: decreased blood pressure, lower resting heart rate, a 39% increase in the output of blood.

.....

332

Complaint

Osteoporosis

Osteoporosis is a growing epidemic of weak bones in the U.S.

....

CONDITION

Seasonal Affective Disorder (SAD)
More than 25 million Americans suffer from SAD each year.

....

Skin Cancer

....

Significant seasonal bone loss due to lack of sunlight produced vitamin D is prominent in areas with reduced winter sunlight and can lead to Osteoporosis.

MEDICAL FACT/BENEFIT

A 1993 study shows that 70% of patients with SAD show improvement after light treatment, the only known cure for the "winter blues."

Skin cancer has been linked to non-UV causes: diet, genetics and alcohol.

[each "EFFECT" or "BENEFIT" accompanied by citation]

Studies provided by California Tan's Scientific Research Center

While these studies indicate a wealth of benefits may result from sun exposure, no single study or studies may prove scientific fact. As research continues, science will reveal more about the effects of the sun. These studies emphasize that the sun may have positive as well as negative effects.

Remember!

To maximize the benefits of sun exposure you must achieve balance and determine the best amount of sun exposure for you based on your skin type and how easily you burn. Consult your physician if you have any doubt and don't ever allow yourself to burn.

REPEATED OVEREXPOSURE TO THE SUN CAN LEAD TO PRE-MATURE AGING, WRINKLING AND SKIN CANCER.

However, moderate exposure in combination with the use of California Tan's exclusive Heliotherapy™ formulas can help you optimize the beneficial aspects of having a spectacular, golden brown tan while minimizing the negative effects of skin dehydration.

Caution:

California Tan® products are intended to be used for tanning and moisturization only. They ARE NOT intended to produce any of the reported possible physiological and psychological benefits of the sun that are described above and California Tan® does not represent that such benefits result from use of its products. (Exhibit I, Tan & Tone Legs Maximum Strength Heliotherapy™ Maximizer- VT Contouring Cream label)(sources for each medical benefit omitted)

J. MORE ABOUT HELIOTHERAPY™

Promoting Heliotherapy™

CAN INCREASE YOUR LOTION SALES

Let your customers know that....

*Let your clients know that lotions can help them reap the positive effects of the sun and UV-light (a tan, increased immunity, lower cholesterol, etc.) while protecting

FAST FACTS ON HELIOTHERAPY™

Did you know that the sun produces many of the same benefits as exercise?

Such as:

themselves from and/or preventing the negative effects.

*Say to clients when they're signing in -- "Did you know that the sun has some of the same effects on your body as exercise, like lower cholesterol and and more oxygen going into your cells?"

*Put up a Heliotherapy™ poster at eye-level in each changing room.

*Make it a point to post one new positive effect of UV-light exposure per week in an area where salon employees will be most likely to read it. (See box-right).

*Lowering blood cholesterol levels

*Lowering your resting heart rate

*Increasing your oxygen intake into cells

*Increasing your energy level

From Dr. Zane Kime's book;
Sunlight

Tape this on the outside of your cash register where all your clients will see it and watch your membership sales soar!

(Exhibit J, salon owner newsletter)

PAR. 5. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph four, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits A-J, respondents have represented, directly or by implication, that:

A. The negative effects of exposure to sunlight or indoor UV radiation, including skin cancer and premature skin aging, are caused only by overexposure or burning and not by moderate exposure, over a period of years, including exposure sufficient to cause tanning.

B. Tanning as a result of exposure to sunlight or indoor UV radiation is not harmful to the skin.

C. Use of California Tan Heliotherapy products prevents or minimizes the negative effects of exposure to sunlight or indoor UV radiation, including skin cancer and premature skin aging.

D. Exposure to sunlight or indoor UV radiation reduces the risk of skin cancer.

PAR. 6. In truth and in fact:

A. The negative effects of exposure to sunlight or indoor UV radiation, including skin cancer and premature skin aging, are not caused only by overexposure or burning, but also can be caused by cumulative moderate exposure, over a period of years, including exposure sufficient to cause tanning.

B. Tanning as a result of exposure to sunlight or indoor UV radiation is harmful to the skin.

C. Use of most California Tan Heliotherapy products in conjunction with exposure to sunlight or indoor UV radiation does not reduce the risk of skin cancer or premature skin aging, because most California Tan Heliotherapy products do not contain sunscreen.

D. Exposure to sunlight or indoor UV radiation does not reduce the risk of skin cancer.

Therefore, the representations set forth in paragraph five were, and are, false and misleading.

PAR. 7. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph four, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits A-J, respondents have represented, directly or by implication, that:

A. Exposure to sunlight or indoor UV radiation prevents or reduces the risk of colon and breast cancer.

B. Exposure to sunlight or indoor UV radiation lowers elevated blood pressure.

C. Exposure to sunlight or indoor UV radiation has benefits similar to those of exercise, including decreased blood pressure and lower heart rate.

D. Exposure to sunlight or indoor UV radiation significantly reduces serum cholesterol.

E. Exposure to indoor UV radiation is an effective treatment for Seasonal Affective Disorder.

F. Exposure to sunlight or indoor UV radiation is an effective treatment for AIDS.

G. Exposure to sunlight or indoor UV radiation enhances the immune system.

H. For the general population, reduced winter sunlight can lead to bone disorders such as osteoporosis and osteomalacia, and increased exposure to sunlight or indoor UV radiation is necessary to reduce the risk of such disorders.

I. California Tan Heliotherapy MAXIMIZERS help users achieve up to 42% better tanning results.

J. California Tan Heliotherapy products that contain 2% VITATAN improve users' ability to tan by up to 67%.

PAR. 8. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph four, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits A-J, respondents have represented, directly or by implication, that at the time they made the representations set forth in paragraphs five and seven, respondents possessed and relied upon a reasonable basis that substantiated such representations.

PAR. 9. In truth and in fact, at the time they made the representations set forth in paragraphs five and seven, respondents did not possess and rely upon a reasonable basis that substantiated such representations. Therefore, the representation set forth in paragraph eight was, and is, false and misleading.

PAR. 10. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph four, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits A-J, respondents have represented, directly or by implication, that:

A. Scientific studies demonstrate that exposure to sunlight or indoor UV radiation provides the health benefits set forth in paragraphs five and seven.

B. The American Medical Association has endorsed exposure to sunlight or indoor UV radiation as an effective medical treatment.

PAR. 7. In truth and in fact,

A. Scientific studies do not demonstrate that exposure to sunlight or indoor UV radiation provides the health benefits set forth in paragraphs five and seven.

B. The American Medical Association has not endorsed exposure to sunlight or indoor UV radiation as an effective medical treatment.

Therefore, the representations set forth in paragraph ten were, and are, false and misleading.

PAR. 12. The acts and practices of respondents as alleged in this complaint constitute unfair or deceptive acts or practices and the making of false advertisements in or affecting commerce in violation of Sections 5(a) and 12 of the Federal Trade Commission Act.

332

Complaint

EXHIBIT A

Exhibit A



CT 001827

The Complete
Three-Step
Tanning
System With
Exceptional
Care For
Your Skin

CALIFORNIA
TAN



itive Effects of The Sun™

30012062

Complaint

123 F.T.C.

EXHIBIT A

Exhibit A (cont)



00612083

California Tan's Quick Reference Tanning Guide*

Tanning Need	Solution	Result
Developing a base tan	Step 1 Heliotherapy™ Maximizers™	Up to 42% better tanning results with exceptional care for your skin
Developing a base tan but concerned about burning	Step 1 SPF Heliotherapy™ Maximizers™	Up to 42% better tanning results with protection 2, 4, 8 or 15 times longer in the sun without burning
Don't want to tan	Step 1 SPF 25 Sunblock	Total sun protection
Unable to get any darker	Step 2 Heliotherapy™ Intensifiers	Breaks through your Tanning Plateau for the deepest, darkest tan possible
Sunburn	Step 3 Insurance™	Soothes sunburn pain, takes you from a red tan to a brown tan overnight
Peeling and flaking and/or dry skin	Step 3 Helioder™	12 hours of intensive moisturization, helps reduce wrinkle depth and fine lines by up to 64% when used regularly
Don't want to tan, but want the appearance of a tan	Self-Action Tanning Gel	Creates a natural, golden brown tan without the sun
Want to protect lips from burning	Lip Defense™ SPF 25	Pampers lips for silky moisturization and 25 times longer protection in the sun without burning

*If your skin does not tan easily, please use extreme caution when using any product that does not contain a high SPF level. Burning and long-term overexposure to the sun may cause premature aging, wrinkling and skin cancer.

Complaint

EXHIBIT A

Exhibit A (cont)

"I love the sun,
but how can I
feel good about
tanning?"

Heliotherapy™ . . . The Positive Effects of The Sun™

While overexposure to the sun and burning are bad for you, medical studies demonstrate that, in moderation, exposure to sunlight is crucial for the maintenance of good physical and psychological health. Besides making you feel good about how you look, numerous studies indicate that little to no exposure to the sun may be equally as bad, if not worse, to your overall health as too much sun.



Did You Know?

- Sunlight is the *only* reliable source of vitamin D and provides the vitamin D requirement for most of the world's population. (Boston University, 1989)
- According to Dr. Cedric Garland, just 15 minutes of exposure to natural sunlight per day on your hands and face is sufficient, in most cases, to obtain the Recommended Daily Allowance of vitamin D. (University of California, San Diego 1993)
- Exposure to sunlight increases the body's ability to metabolize cholesterol, leading to a 13% decrease in blood cholesterol levels. (New England Medical Journal, 1953)
- Studies indicate that exposure to UV light may have similar effects as exercise: a decrease in blood pressure, a lower resting heart rate and a 39% increase in the heart's output of blood. (University of Frankfurt, Germany, 1992)
- Seasonal Affective Disorder (SAD), with symptoms such as sadness, insomnia and carbohydrate cravings, is common in northern areas where exposure to sunlight in winter months is significantly decreased. (National Institute of Mental Health, 1985)

Of course, no single study or studies may prove scientific fact. As further studies are done, science will tell us more about the effects of sun exposure. However, as these studies emphasize, the sun may have positive as well as negative effects.

REMEMBER! The key to maximizing the positive effects of the sun is to achieve the perfect balance. Take care to get just the right amount of sun to maintain your health, but don't ever allow yourself to burn. BEFRIEND YOURSELF TO THE SUN AND YOU'LL FIND MANY BENEFITS, INCLUDING, AND MOST IMPORTANTLY, MODERATE EXPOSURE, HOWEVER, IN COMBINATION WITH THE USE OF California Tan's exclusive "No-Burn" formulas can help you optimize a proven positive effect of the sun - your tan.

CAUTION: California Tan® products are intended to be used for tanning and moisturization only. They ARE NOT intended to produce any of the reported physiological and psychological benefits of the sun that are described above.

Studies provided by California Tan's Scientific Research Center

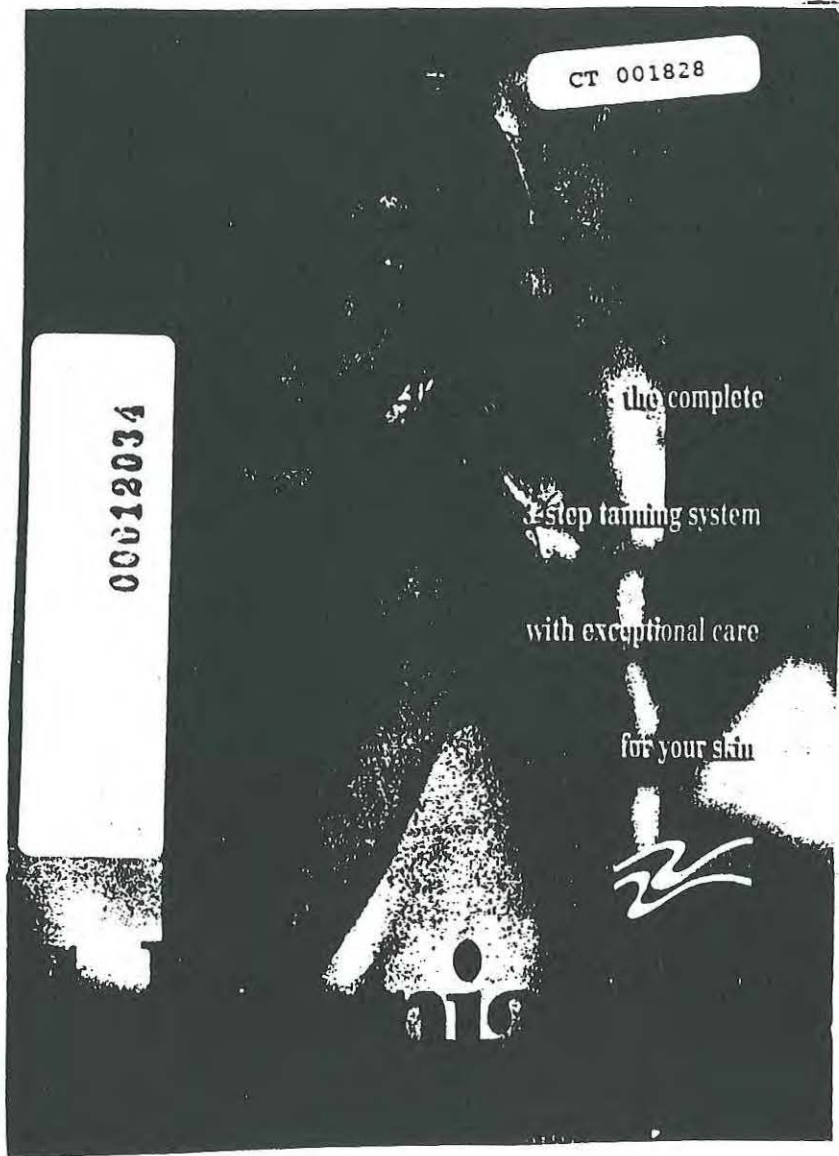


Complaint

123 F.T.C.

EXHIBIT B

Exhibit B



Complaint

EXHIBIT B

Exhibit B (cont)

00012038

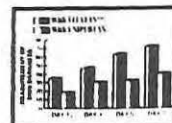
**Climax™
Private Reserve™
Limited Edition**

For those who choose only the best money can buy, the laboratories of California Tan® have created the ultimate tanning experience - Limited Edition Climax™. Combining years of research with private reserve levels of our revolutionary new VITATAN™ (patent pending) technology, Climax™ is scientifically proven to help improve your natural ability to develop a base tan by up to 67% while minimizing the signs of aging.

VITATAN™
The Tanning Technology of The Future

- VITATAN™ is encapsulated in the most technologically advanced, multi-level liposome system, delivering up to 50% more of the actives to the tanning source for rich, golden brown results.
- VITATAN™ contains a revolutionary DNA enzyme that helps to minimize sun damage and reduce the appearance of fine lines and wrinkle depth by up to 64%.
- Through the use of anti-oxidants, such as Vitamins A, C, E, and F, VITATAN™ works to neutralize the free radicals that can cause lines and wrinkles.
- VITATAN™ delivers an additional molecule of oxygen to the surface of the skin which significantly enhances the oxidation of melanin for faster tanning results.

When compared to Uniperian, products containing 2% VITATAN™ help improve your natural ability to develop a golden brown base tan by up to 67%.



STEP 1

Herbotherapy Maximizer - VITATAN™



Complaint

123 F.T.C.

EXHIBIT B

Exhibit B (cc

Heliotherapy™ . . . The Positive Effects of The Sun™

California Tan's Scientific Research Center, a panel of renowned scientists and researchers reviews thousands of studies on the effects of sunlight. Inspired by Heliotherapy™ The Positive Effects of the Sun™, California Tan® created the complete Heliotherapy™ three step system to help you maximize a proven positive effect of the sun - your tan.

CONDITION	MEDICAL EFFECT	SOURCE
AIDS AIDS is a fatal and incurable epidemic.	Preliminary studies indicate that phototherapy may be beneficial in treating patients with AIDS related complex.	Taylor A. et al. Extracorporeal Photodynamic Therapy for Cutaneous T Cell Lymphoma and Other Diseases. <i>Seminars in Hematology</i> 24:2 112 1992.
Cancer Prevention Breast and colon cancer can be fatal if not detected early.	Sunlight exposure may prevent certain types of cancer. Colon and breast cancer rates are three times higher in northern states like New Hampshire and Vermont compared to sunny states like New Mexico and Arizona.	Galand D. C. et al. Calcium and Colon Cancer. <i>Clinical Nutrition</i> July/August 1991 6: 199h.
Common Cold Symptoms include: runny nose, sneezing, sore throat, coughing, muscle aches.	10 minute exposure to ultraviolet light one to three times a week results in a reduction of frequency of colds up to 40%.	Kruse D. J. Sunlight. <i>Pediatrics</i> CA World Health Publications 1980.
Fitness Fitness increases energy and reduces risk of heart disease.	Exposure to sunlight may have similar effects to exercise: decreased blood pressure, lower resting heart rate, a 35% increase in the output of blood.	Falkenbach D. A. et al. Heart Rate Variability. <i>Biological Effects of Light</i> . New York: Walter de Gruyter, 1992.

Studies provided by California Tan's Scientific Research Center

While these studies indicate a wealth of benefits may result from sun exposure, no single study or studies may prove scientific fact. As research continues, science will reveal more about the effects of the sun. These studies emphasize that the sun may have positive as well as negative effects.

Remember!
To maximize the benefits of sun exposure, you must achieve balance and determine

the best amount of sun exposure for you based on your skin type and how much you burn. Consult your physician if you have an illness and don't ever allow yourself to burn.

REPAIRED TANNING BEDS BY THE
SUNLIGHT TANNING MACHINES
VIRBANKING TANNING CENTER

However, moderate exposure in combination with the use of California Tan's exclusive Heliotherapy™ formulas can help you optimize the beneficial aspects of having a spectacular golden

brown tan while minimizing the negative effects of skin dehydration.

California Tan products are intended to be used for tanning and moisturization only. They are NOT intended to produce any of the reported possible physiological and psychological benefits of the sun that are described above and California Tan® does not represent that such benefits result from use of its products.



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Complaint

EXHIBIT C

Exhibit C

Heliotherapy™...The Positive Effects of The Sun™

90612127



2 • What Is Heliotherapy ?

*helio-therapy (he li o ther a pi a. HELIO- = THERAPY)
the treatment of disease by exposing the body to sunlight*

Heliotherapy is a science documented by thousands of scientific studies which have been conducted on the benefits of sun exposure. Acknowledged and practiced by the American Medical Association, heliotherapy is the treatment of disease by means of the sun's electromagnetic waves. Red, orange, yellow, green, blue, indigo, violet, and mid and near ultraviolet waves are used either collectively or independently to treat and cure everything from acne to jaundice.

Did you know that?

- Dermatologists use heliotherapy for the treatment of acne, psoriasis and other skin disorders.
- Heliotherapy is a chiropractic treatment used for muscular stimulation and relaxation.
- Heliotherapy is the only known cure for Seasonal Affective Disorder, a cyclic mood disorder caused by sunlight deprivation during fall and winter months.
- Currently, AIDS research clinics use heliotherapy as an effective tool for boosting the body's immune system.
- Heliotherapy used in hospital operating rooms reduces the bacteria count by as much as 50%. As a result, patients have been found to recover faster and have fewer post-operative infections.
- Scientists at the Baylor University Medical Center have successfully used heliotherapy to destroy the AIDS virus and other infectious diseases and are developing heliotherapy to decontaminate blood for transfusions.

• Heliotherapy is practiced in Cancer Research Institutes for successful DNA repair. Within hours of light treatments, the cancer cells begin to die, leaving the normal tissue unharmed. 70% to 80% of the tumors treated responded positively after just one treatment.

• Heliotherapy is used as an effective tool for eradicating the blood of cancer patients.

• The maternity wards of most major hospitals use heliotherapy for the treatment of hyperbilirubinemia (neonatal jaundice), a condition found in over 60% of prematurely born infants.

While fully recognizing that long term overexposure to the sun and burning can result in skin cancer, premature aging and wrinkling in some cases, the science of heliotherapy supports that the sun also offers many benefits. In the months to come, California Tan's Scientific Research Center will uncover the FACTS about Heliotherapy™. The Positive Effects of The Sun™.

Studies provided by California Tan's Scientific Research Center

For more information on Heliotherapy™ and a complete list of sources, please call

1-800-SUN-CARE
CALIFORNIA
TAN'S

The science of heliotherapy has inspired the California Tan's Heliotherapy™ line of products. These products are intended to be used for tanning and moisturization only and not for any of the physiological or physiological benefits described in this advertisement.

SOLD IN SALONS

CT 0016

Complaint

123 F.T.C.

EXHIBIT D

Exhibit D

Is Sunlight the Answer for cancer prevention?

New studies from the University of California, San Diego indicate that exposure to sunlight may play an important role in the prevention of certain types of cancer. While long-term overexposure to the sun and burning can be harmful, this research shows that the sun may have many properties that help prevent breast, colon and ovarian cancer.

As a leader in the study of Heliotherapy, California Tans Scientific Research Center has uncovered thousands of studies demonstrating the benefits of UV-exposure.

Studies by Dr. Edward Gorham at the University of California, San Diego, show that the incidence of breast cancer is lowest in countries nearest the equator where the opportunity for sunlight exposure is highest.

Vitamin D produced by exposure to sunlight is associated with a lower risk of fatal breast cancer.

Vitamin D produced by exposure to sunlight is associated with a lower risk of fatal breast cancer.

It's not surprising that within the U.S., colon and breast cancer rates are three times higher in northern states like New Hampshire and Vermont compared to sunny states like New Mexico and Arizona, according to research conducted by Dr. Frank Garland at the University of California, San Diego.

In addition, the Melanoma Clinic at the University of Sydney, Australia released new research showing that the lowest incidence of skin cancer occurs in those people whose main occupation is outdoors.

While the jury is still out on the true effects of sun exposure, the science of Heliotherapy indicates that the sun is necessary for our health and well-being. Experts agree that overexposure and burning can lead to skin cancer in some cases. However, with moderation, exposure to sunlight may bring us many benefits.

To find out more about Heliotherapy™ - The Positive Effects of The Sun, please call 1-800-SUNCARE.

... The Positive Effects of The Sun



30012130

EXHIBIT E

Exhibit E

From high blood pressure to AIDS . . .

Is Sunlight the Cure of the '90's?

Although the experts warn against long-term over-exposure to the sun and burning, new research points to the healing powers of the sun. As Dr. Jacob Liberman suggests, with over 100 biological functions affected by exposure to sunlight, it's not surprising that the sun plays such a vital role in our health and well-being.

Today, people are looking for more natural cures for everything from common ailments to serious diseases. As a major contributor to the science of Heliotherapy™, California Tan's Scientific Research Center has uncovered hundreds of studies demonstrating the positive effects of sun exposure.

• In a recent study by Dr. Zane Kime, patients with high blood pressure experienced a dramatic decrease in blood pressure lasting five to six days after just one treatment of UV-light.

• The National Psoriasis Foundation has released studies stating that 80% of psoriasis sufferers show improvement with exposure to UV-light.

• According to studies conducted by Dr. Norman Rosenthal at the National

Institute of Mental Health, light treatment is the most effective cure for Seasonal Affective Disorder (SAD), or the winter blues.

• UV-light treatment is on the forefront of the search for an AIDS cure. Scientists at Baylor University Medical Center have used light to destroy the AIDS virus and other infectious diseases.

Even though the jury is still out on the true effects of sun exposure, we are now discovering that the sun plays an important role in the maintenance of good health. Through the science of Heliotherapy™, we are learning that balance is most important. Overexposure and burning can lead to skin cancer in some cases. However, in the right amounts, we can benefit from the sun's healing powers.

To find out more about Heliotherapy™...The Positive Effects of the Sun™ attend one of California Tan's Heliotherapy™ Symposia hosted by distributors across America. Please call 1-800-SUNCARE or your local authorized California Tan® distributor for the Symposium nearest you ■

CALIFORNIA
TAN®

30612154

Heliotherapy™ . . . The Positive Effects of The Sun™

©1991 California Tan's Scientific Research Center. Please send comments to Donal J. Liberman, President, 270 N. Canyon Dr., Ste. 129, Beverly Hills, CA 90210.

Circle Reader Service No. 82

CT 001648



Complaint

123 F.T.C.

EXHIBIT F

Exhibit F

Heliotherapy™

The Positive Effects of The Sun™

00012137

CALIFORNIA
TAN

CT 001681

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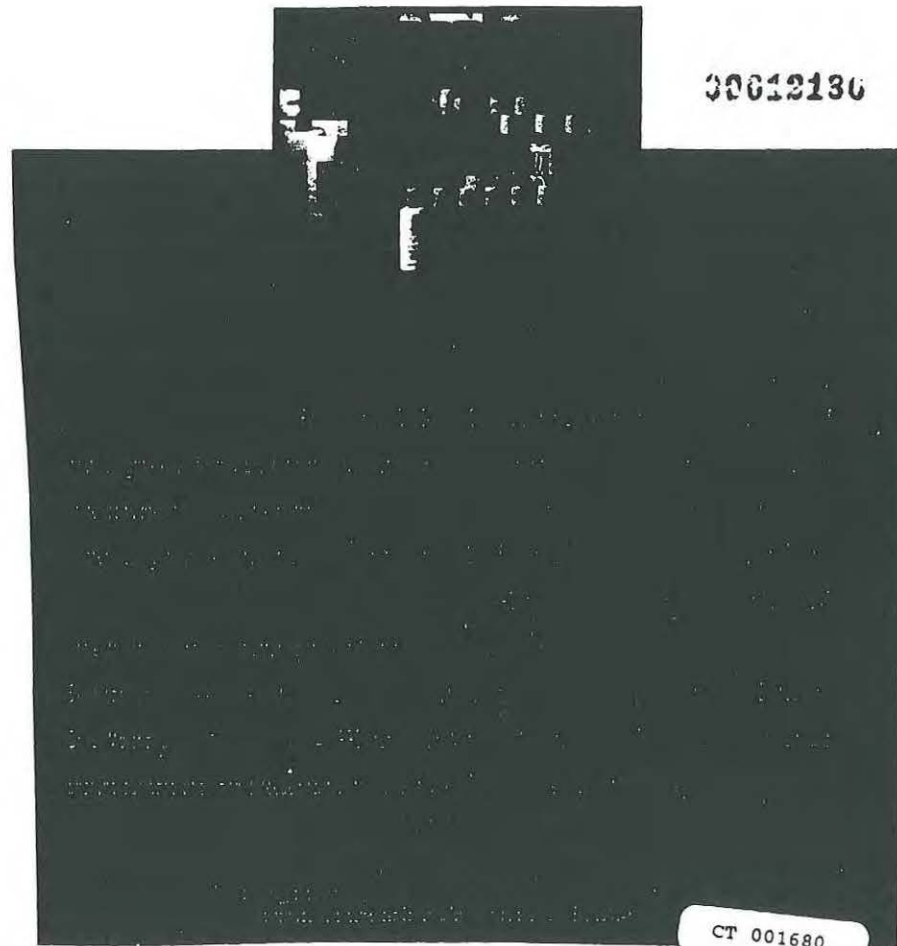
332

Complaint

EXHIBIT F

Exhibit F (cont)

California Los Angeles Research Center, a panel of dermatologists, researchers and dermatologists reviewed thousands of studies each year about the positive and negative effects of UV-light. Overexposure and burning are bad for you and may lead to premature aging and skin cancer. However, medical evidence shows that sunlight is connected to everything from osteoporosis prevention to vitamin D synthesis.



Complaint

123 F.T.C.

EXHIBIT G

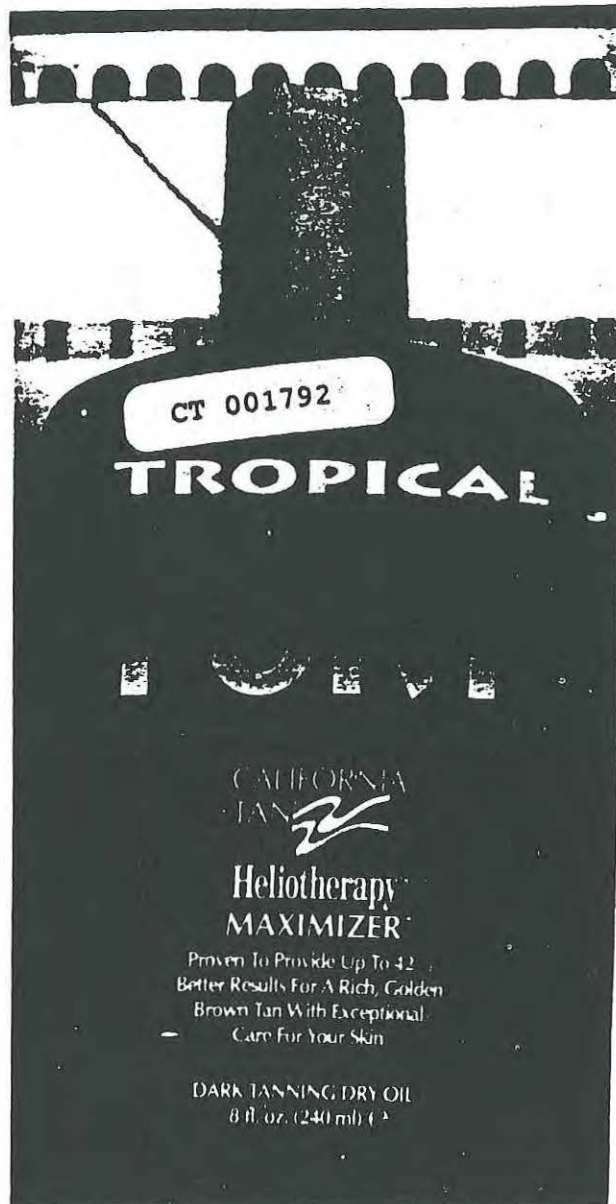


Exhibit G

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Complaint

EXHIBIT G

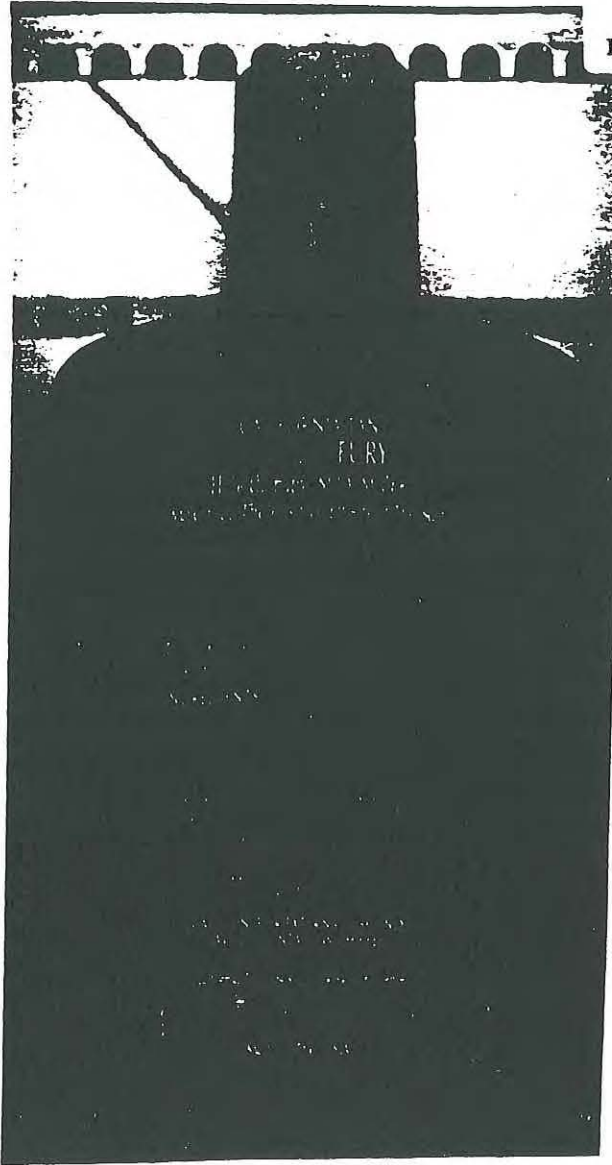


Exhibit G (cont)

Complaint

123 F.T.C.

EXHIBIT G

Exhibit G (cont)

CALIFORNIA TAN
TROPICAL FURY™
Heliotherapy™ MAXIMIZER™
Maximize The Positive Effects of The Sun

With California Tan's exclusive **Heliotherapy™** formula, Tropical Fury is the first dry oil that actually provides you with all the tanning and moisturizing benefits of a real oil without the greasy after-feel and absolutely no mineral oils. The most effective, rare, exotic oils combined with the most precise blend of tanning and skin care ingredients provide up to 42% better tanning results for a deep, dark, *sun-kissed* tan with exceptional care for your skin.

- A unique, scientifically proven blend of California Tan's **Heliotherapy™** MAXIMIZER Complex provides the most effective moisturization to help you achieve up to 42% better tanning results and counteract the drying effects of the sun for a spectacular, golden brown tan.
- The most effective combination of rare, exotic oils provide all the tanning and moisturizing benefits of an oil for the deepest, richest tan possible without the greasy after-feel.
- Shea Butter combined with the exact level of Vitamin C helps restore your skin's optimum moisture balance and neutralize the free radicals that can cause lines and wrinkles.
- Scientifically proven Unifriinol dramatically helps reduce the appearance of wrinkle depth and line lines by up to 64% when used regularly.
- Cruelty-Free. Contains no mineral oils, sunscreens, animal by-products, dyes or artificial colorations.

PULL HERE TO OPEN
PRESS TO RESEAL

EXHIBIT G

Exhibit G (cont)

CALIFORNIA TAN Heliotherapy™ . . .

The Positive Effects of The Sun

California Tan's exclusive Heliotherapy™ formulas are a precise, scientifically proven combination of state-of-the-art skin care and tanning ingredients that help you maximize a proven positive effect of the sun - your tan!

While it's true that over exposure to the sun and burning are bad for you, medical science has also discovered that, in moderation, exposure to the sun is crucial to the maintenance of good physical and psychological health.

In addition to the fact that a tan makes you feel good about how you look, a number of studies have noted that little to no exposure to the sun may be equally as bad, if not worse, to your overall health as too much sun.

DID YOU KNOW THAT?

*According to a study conducted by the University of Sydney and Melanoma Clinic in 1982, the people with the lowest risk of skin cancer were those whose main outdoor activity was sunbathing. (see note 1)

*The same study also found that the highest incidence of skin cancer occurred in those who spent most of their time indoors under fluorescent lighting which is deficient of the ultra-violet portion of the sun spectrum. (see note 2)

*The findings of the above study were confirmed in 1985 by Dr. F. Alan Anderson, a physicist with the Food and Drug Administration at the New York University of Medicine, who found that over a period of time, fluorescent lights alone emit enough radiation to cause skin cancer. (see note 3)

*Mice living under natural unfiltered sunlight have been proven to live more than twice as long as mice living under fluorescent lights. (see note 4)

*According to Dr. Jacob Liberman, exposure to the sun is necessary to the maintenance of over 100 vital biological functions. (see note 5)

*In a 1980 study, it was concluded that exposure to sunlight produces the same benefits as

Complaint

123 F.T.C.

EXHIBIT G

Exhibit G (cont)

Exercise: increases in strength, energy, endurance, tolerance to stress, and the ability of the blood to absorb and carry oxygen; and decreasing the resting heart rate, blood pressure, respiratory rate, blood sugar and lactic acid. (see note 6)

- Massachusetts General Hospital reported that exposure to UV light is essential for a healthy level of vitamin D in the body. Vitamin D is necessary for the absorption of calcium and other vital minerals from the diet. (see note 7)

- Researchers also found that the dietary vitamin D found in milk and vitamin supplements is not a sufficient replacement to the vitamin D that is produced by exposure to the sun for the maintenance of healthy bones and teeth and at high levels, dietary vitamin D has been found to be very toxic. (see note 8)

- Studies indicate that exposure to ultra-violet light is an effective tool for lowering elevated blood pressure. (see note 9)

- According to a recent study conducted at the Tulane University, the heart became stronger and pumped more blood when the subjects were exposed to ultra-violet light. (see note 10)

- A recent study reports that light plays an important role in how effectively certain enzymes can regulate vital bodily functions. (see note 11)

- Sunlight has been scientifically proven in numerous studies to reduce serum cholesterol levels. (see note 12)

- In a study conducted by The American Society for the Study of Arteriosclerosis, 97% of the subjects had a 13% decrease in the level of cholesterol within two hours after the first exposure. (see note 13)

- According to the University of Carolina, exposure to sunlight is necessary to the production of Solitrol (an important hormone found within the skin). (see note 14)

- In 1987, the Wall Street Journal reported that chickens raised under full-spectrum lighting, the closest match to natural sunlight, lived twice as long, laid more eggs, were less aggressive, and laid eggs that were 25% lower in cholesterol than chickens raised under fluorescent lighting. (see note 15)

- Medical findings indicate that the sex hormones are most efficient when a woman or man is exposed to sunlight. (see note 16)

- The pineal gland located in the deep center of the brain regulates the numerous biological functions by processing the body's exposure to regular day and night cycles. (see note 17)

- In many northern European countries, stud-

EXHIBIT G

Exhibit G (cont)

ies have found that a direct correlation exists between decreased exposure to sunlight and a higher incidence of insomnia, irritability, alcoholism, depression, and suicide. (see note 18)

•The National Psoriasis Foundation reports that 80% of the people suffering from Psoriasis improve when exposed to sunlight. (see note 19)

Of course, no single study or studies may prove scientific fact. And as further studies are done, science will tell us more about the effects of sun exposure. But these studies emphasize that the sun may have positive as well as negative effects.

REMEMBER!

The key to maximizing the positive effects of the sun is to achieve the perfect balance. Take care to get just the right amount of sun to maintain your health, but don't ever allow yourself to burn. **REPEATED OVEREXPOSURE TO THE SUN CAN LEAD TO PRE-MATURE AGING, WRINKLING AND SKIN CANCER.** Moderate exposure, however, in combination with the use of California Tan's exclusive **Heliotherapy** formulas can help you optimize the beneficial aspect of having a spectacular, golden brown tan while minimizing the negative effects of over exposure and skin dehydration.

CALIFORNIA TAN Heliotherapy™

ACHIEVE A SPECTACULAR
DEEP, DARK TAN AND FEEL
GOOD ABOUT IT

CAUTION

California Tan products are intended TO BE USED FOR TANNING AND MOISTURIZATION ONLY. They ARE NOT intended to produce any of the reported physiological and psychological benefits of the sun that the studies describe.

Studies provided by California Tan's Scientific Research Center

SOURCES

1. Beril, Valerie, et al., "Malignant Melanoma and Exposure to Fluorescent Lighting at Work," *Lancet*, 7 Aug 1982; p. 290-291
2. Pasternak, N. Dubin and Maerion, M., "Malignant Melanoma and Exposure to Fluorescent Light at Work," *Lancet*, vol. 1, 1981 p. 704
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Complaint

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EXHIBIT G

Exhibit G (cont)

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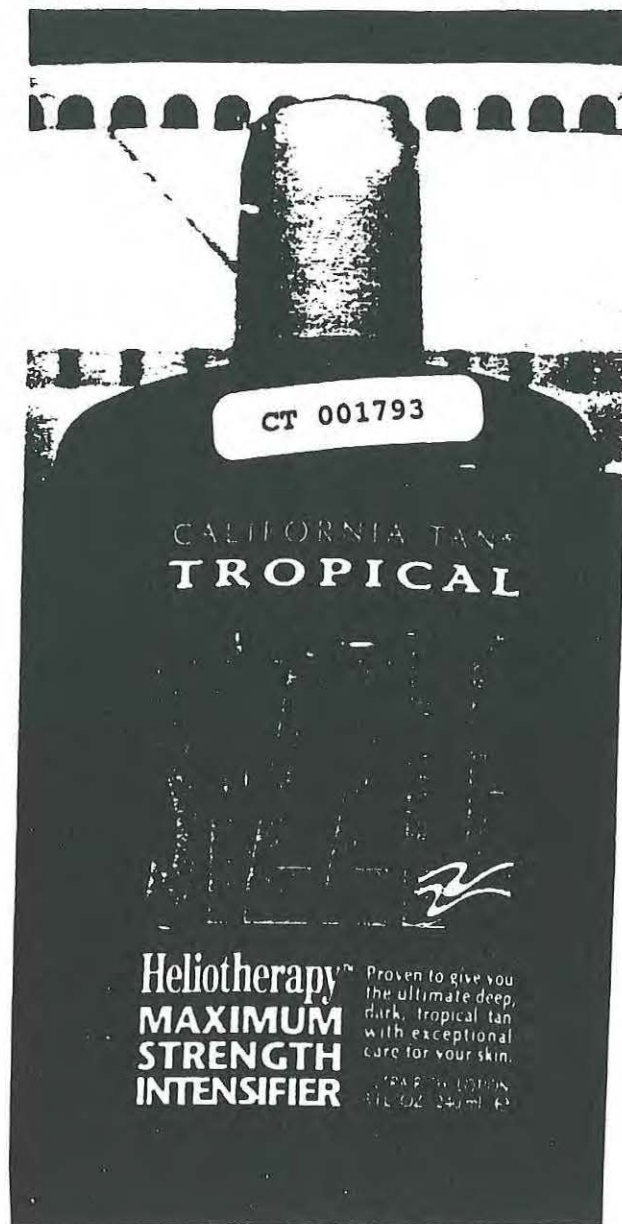
For more information
on *Heliotherapy*, please write to:
California Tan's Scientific Research Center,
Donald J. Christal - President
270 N. Canon Dr., Ste. 129
Beverly Hills, CA 90210
Made In The U.S.A.

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Complaint

EXHIBIT H

Exhibit H



Complaint

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EXHIBIT H

Exhibit H (cont)

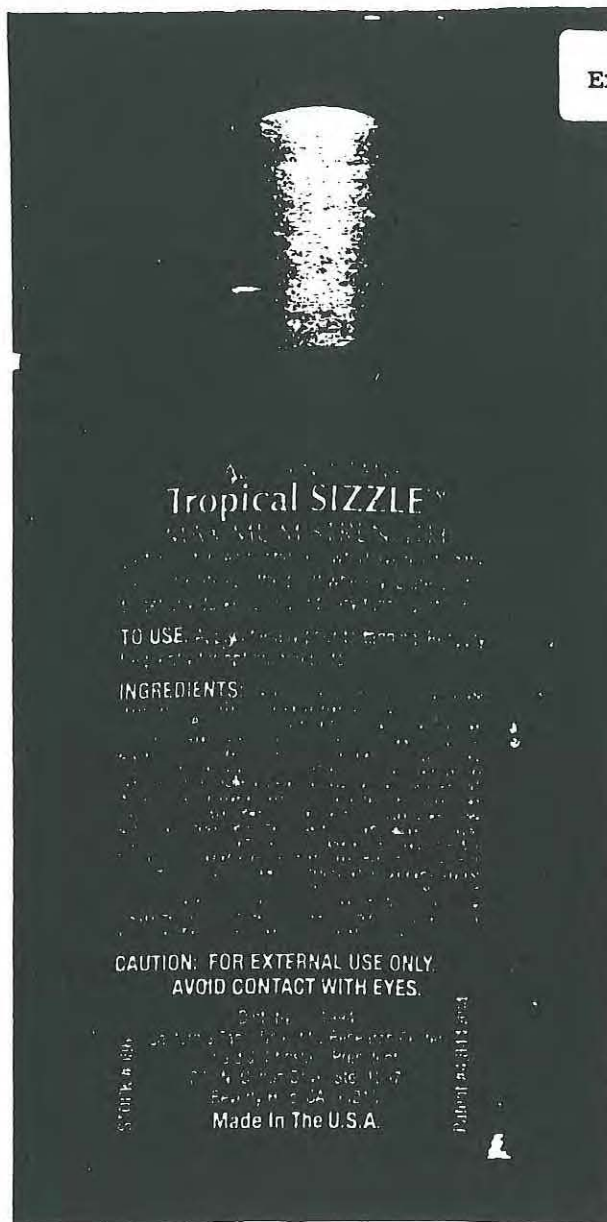


EXHIBIT H

Exhibit H (cont)

STEP 2
Heliotherapy INTENSIFIER
Takes You Beyond Your
Tanning Plateau

*Designed for serious
tanners who have reached
the Tanning Plateau*

CALIFORNIA TAN®
Tropical SIZZLE™
MAXIMUM STRENGTH

What is the Tanning Plateau?
Studies conducted by International Research
Labs show that after a period of tanning,
your skin begins to thicken, blocking ultra-
violet (UV) exposure and reducing further
tanning. This is known as the Tanning Plateau.



Continued inside...

PULL GENTLY HERE

EXHIBIT H

Exhibit H (cont.)

Tropical SIZZLE's exclusive Heliotherapy™ formula contains a powerful combination of scientifically proven tanning and skin care ingredients. This maximum strength blend is designed to help you break through your Tanning Plateau faster than ever before, giving you the deep, dark intensified tan you've always wanted.

- Maximum levels of micro-encapsulated Tissue Respiratory Factors (TRF) race to the areas of your skin that are most in need where they work to return your skin back to its natural, healthy state. As a result, optimum UV penetration is restored, allowing you to achieve a greater level of darkness than you ever thought possible.
- Maximum levels of Copper Peptide nanospheres zone in on the areas of your skin that are copper deficient, resulting in a heightened level of skin darkening.
- Maximum levels of Unifriol drastically reduce the appearance of fine lines and wrinkles by up to 64%.
- Maximum levels of California Tan's 12-Hour Hydration Complex help prevent peeling and flaking and prolong the life of your tan.

Heliotherapy™ Update

CALIFORNIA TAN®
Heliotherapy™ . . .
 The Positive Effects
 of the Sun™

Only California Tan's exclusive Heliotherapy™ formulas are the precise scientifically proven combination of extraordinary skin care and tanning ingredients to help you maximize a proven positive effect of the sun ... your tan.

While overexposure to the sun and burning are bad for you, medical studies demonstrate that, in moderation, exposure to sunlight is crucial for the maintenance of good physical and psychological health.

Besides making you feel good about how you look, numerous studies demonstrate that little to no exposure to the sun may be equally as bad, if not worse, to your overall health as too much sun.

Did You Know That?

- Sunlight is the only reliable source of vitamin D and provides the vitamin D requirement for most of the world's population. (Boston University, 1989) 1
- According to Dr. Cedric Garland, just 15 minutes of exposure to natural sunlight per day on your hands and face is sufficient, in most cases, for the Recommended Daily Allowance of vitamin D. (University of California, San Diego 1993) 2
- Tanning beds that emit UVB may be useful for the production of vitamin D. (Boston University, 1992) 3
- Exposure to sunlight increases the body's ability to metabolize cholesterol, leading to a 13% decrease in blood cholesterol levels. (New England Medical Journal, 1953) 4
- Studies indicate that exposure to UV light may have similar affects as exercise: decreased blood pressure, lower resting heart

rate and a 39% increase in output of blood (University of Frankfurt, Germany, 1992) 5

- Seasonal Affective Disorder (SAD), with symptoms such as sadness, insomnia, carbohydrate cravings, anxiety and irritability, is commonly found in northern areas where exposure to sunlight in winter months is significantly decreased. (National Institute of Mental Health, 1985) 6
- When the chest and back are exposed to sunlight, the male sex hormones may increase by 120%. (Dr. Z. Kime, 1980) 7
- Reports indicate that 80% of people suffering from psoriasis improve when exposed to sunlight. (The National Psoriasis Foundation, 1986) 8
- Studies indicate that people with the lowest risk of skin cancer are those whose main occupation is outdoors. (Lancet 1982) 9
- Sunlight affects over 100 vital biological functions. (Lieberman, 1991) 10

Complaint

EXHIBIT H

Exhibit H (cont)

• Significant seasonal bone loss, as a result of inadequate vitamin D formation, occurs in people who live in areas with reduced winter sunlight. Bone loss can lead to Osteoporosis and Osteomalacia, a softening of the bones. (University of Maine, 1993) 11

• Colon and breast cancer deaths are three times higher in northern states like New Hampshire and Vermont compared to sunny states like New Mexico and Arizona. (University of California, San Diego, 1986) 12

• Ozone levels naturally fluctuate up to 5% daily based on weather, time of day and time of year. (Reading University, England, 1990-91) 13

Of course, no single study or studies may prove scientific fact. As further studies are done, science will tell us more about the effects of sun exposure. However, as these studies emphasize, the sun may have positive as well as negative effects.

Remember!!

The key to maximizing the positive effects of the sun is to achieve the perfect balance. Take care to get just the right amount of sun to maintain your health, but don't ever allow yourself to burn. **REPEATED OVEREXPOSURE TO THE SUN CAN LEAD TO PRE-MATURE AGING, WRINKLING AND SKIN CANCER.** However, moderate exposure in combination with the use of California Tan's exclusive Heliotherapy™ formulas can help you optimize the beneficial aspects of having a spectacular, golden brown tan while minimizing the negative effects of overexposure and skin dehydration.

**No Animal Testing • No Animal By-Products
No Mineral Oils • No Artificial Dyes or
Colorations • Won't Clog Pores**

CAUTION:

California Tan's products are intended to be used for tanning and moisturization only. They ARE NOT intended to produce any of the reported physiological and psychological benefits of the sun that are described above.

Studies provided by California Tan's
Scientific Research Center

Sources

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Complaint

123 F.T.C.

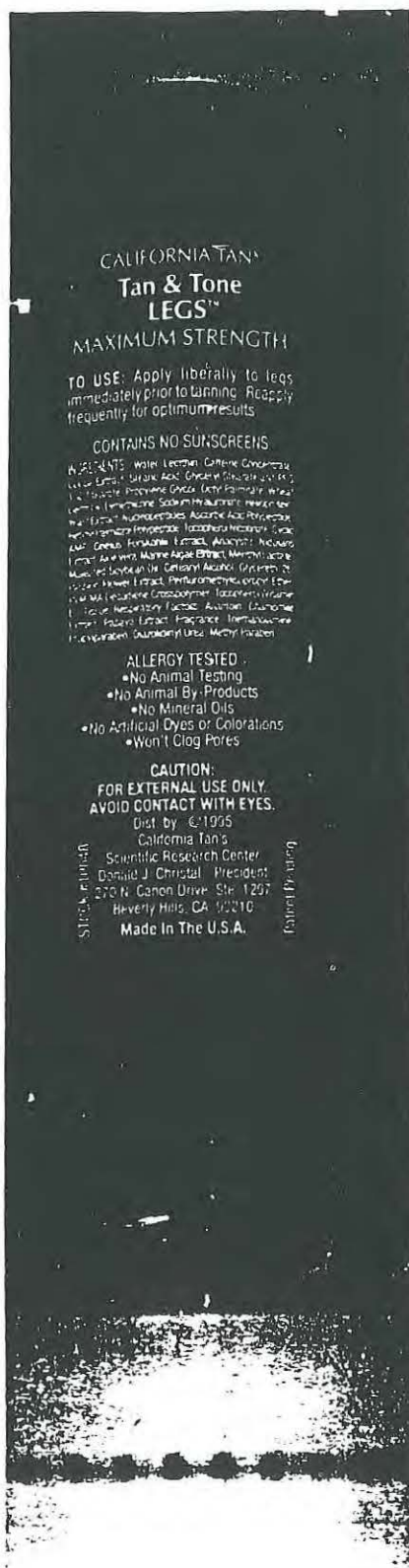
EXHIBIT I

Exhibit I



EXHIBIT I

Exhibit I (cont)



Complaint

123 F.T.C.

EXHIBIT I

Exhibit I (cont)



OPEN

CALIFORNIA TAN

Tan & Tone

LFGS

MAXIMUM STRENGTH

*Dark Tanning And
Contouring Cream Gel*

Tan & Tone Legs maximum strength dark tanning and slimming formula contains our exclusive VT technology and proven firming agents to diminish the appearance of unsightly cellulite while achieving spectacular tanning results. Maximum strength levels of VITATAN (patent pending) deliver up to 53% better tanning results while minimizing the signs of aging. Plus, Legs lifts and tightens for visibly toned thighs, hips and buttocks.

Continued inside...

Complaint

EXHIBIT I

Exhibit I (cont.)



When compared to Unipertan, products containing 1% VITATAN™ help improve your natural ability to develop a golden brown tan by up to 53%.

International Research Labs, Port Jervis, NY

• VITATAN™ delivers up to 50% of the actives to the tanning source through the most technically advanced multi-level liposome system.

• Specialized liposomes encapsulate the proven contouring complex and target cellulite to smooth the appearance of sponginess after just one use.

• Scientifically-proven skin care ingredients maintain optimum moisture balance, leaving skin soft, supple and silky smooth.

• Fast-acting cream gel formula absorbs quickly without the sticky after-feel of ordinary gels.

• Ideal for every day use.

Heliotherapy™
The Positive Effects of the Sun™

California Tan's Scientific Research Center, a panel of the world's most renowned scientists, reviews

thousands of studies relating to light and health which inspired California Tan to create its exclusive Heliotherapy™ three step system that contains the precise combination of proven tanning and skin care

ingredients to help you maximize a positive effect of the sun - your tan. *Burning and overexposure are bad for you.* But sunlight is essential for your psychological and physiological good health.

HELIO THERAPY™ REFERENCE CHART

CONDITION	MEDICAL EFFECT	SOURCE
AIDS AIDS is a fatal and incurable epidemic.	Preliminary studies indicate that phototherapy may be beneficial in treating patients with AIDS-related complex.	Taylor, A. et al. "Extracorporeal Photocoagulation for Cutaneous T-Cell Lymphoma and Other Diseases" <i>Seminars in Hematology</i> , 29:2, 132, 1992
Cancer Prevention Breast and colon cancer can be fatal if not detected early.	Sunlight exposure may prevent certain types of cancer. colon and breast cancer rates are three times higher in northern states like New Hampshire and Vermont compared to sunny states like New Mexico and Arizona	Garland, Dr. C. et al. "Calcium and Colon Cancer" <i>Clinical Nutrition</i> , July/August 1986
Common Cold Symptoms include: runny nose, sneezing, sore throat, coughing, muscle aches.	10 minute exposure to ultraviolet light one to three times a week results in a reduction of frequency of colds up to 40.3%	Kime, Dr. Z. <i>Sunlight</i> , Penryn, CA World Health Publications, 1980
Fitness Fitness increases energy and reduces risk of heart disease.	Exposure to sunlight may have similar effects as exercise: decreased blood pressure, lower resting heart rate, a 39% increase in the output of blood	Falkenbach, Dr. A. et al. "Heart Rate Variability." <i>Biological Effects of Light</i> , New York, Walter de Gruyter, 1992
Obesity Obesity is one of the leading causes of death in the U.S.	Sunlight stimulates the thyroid gland which boosts your metabolism	Hollwich, Fritz, <i>The Influence of Ocular Light Perception on Metabolism in Man and in Animal</i> , New York: Springer Verlag, 1979
Osteoporosis Osteoporosis is a growing epidemic of weak bones in the U.S.	Significant seasonal bone loss due to lack of sunlight produced vitamin D is prominent in areas with reduced winter sunlight and can lead to Osteoporosis	Rosen, Dr. C. et al. "Seasonal Effects of Sunlight on Bone Mass in Elderly Women" <i>Biological Effects of Light</i> , New York: Walter de Gruyter, 1994
Psoriasis Psoriasis is a chronic condition with no known cure.	80% of Psoriasis sufferers show improvement with UV exposure	"PUVA Myth" <i>Pharmacy News</i> , vol 6 1, 1994

Chart Continues On Reverse

Complaint

123 F.T.C.

EXHIBIT I

Exhibit I (cont)

CONDITION	MEDICAL FACT/BENEFIT	SOURCE
Seasonal Affective Disorder (SAD) More than 25 million Americans suffer from SAD each year.	A 1993 study shows that 70% of patients with SAD show improvement after light treatment, the only known cure for the "winter blues."	Wirz-Justice, A. et al. "Light Therapy in Seasonal Affective Disorder is Dependent on Time of Day or Circadian Phase" <i>Arch Gen Psychiatry</i> , 50:929, 1993.
Sex Drive	When the chest and back are exposed to sunlight, the male sex hormones may increase by up to 120%.	Kime, Dr. Z. Sunlight . Penryn, CA: World Health Publications, 1980.
Skin Cancer	Skin Cancer has been linked to non-UV causes: diet, genetics and alcohol.	Marchand, Dr. L. "Dietary Factors in the Etiology of Melanoma" <i>Clinics In Dermatology</i> , 10:79, 1992.
Stress Stress increases the risk of illness two to four times.	Sunlight exposure decreases adrenaline and noradrenaline levels for an "anti-stressing" effect and releases endorphins for the feeling of "well-being."	Greiter, F. et al. "UV Conditioning: Physical and Physiological Impact" <i>Current Problems in Dermatology</i> , Vol. 15:282-9, 1986.
Vitamin D Deficiency Vitamin D regulates calcium, magnesium and phosphorous absorption.	Sunlight is the most responsible source of vitamin D. During the process of tanning, vitamin D is also produced.	Holick, Dr. M. et al. "Sunlight Regulates" <i>Journal of Endocrinology and Metabolism</i> , 68:882, 1989. Matsuoka, T. et al. "Suntanning and Cutaneous Synthesis of Vitamin D3" <i>Journal of Clinical Medicine</i> , 116:87, 1990.

Studies provided by California Tan's Scientific Research Center

While these studies indicate a wealth of benefits may result from sun exposure, no single study or studies may prove scientific fact. As research continues, science will reveal more about the effects of the sun. These studies emphasize that the sun may have positive as well as negative effects.

Remember!

To maximize the benefits of sun exposure you must achieve balance and determine the best amount of sun exposure for you based

on your skin type and how easily you burn. Consult your physician if you have any skin conditions and don't ever allow yourself to burn.

REPEATED OVER EXPOSURE TO THE SUN CAN LEAD TO PRE-MATURE AGING, WRINKLING AND SKIN CANCER.

However, moderate exposure in combination with the use of California Tan's exclusive **Heliotherapy** formulas can help you optimize the beneficial aspects of having a spectacular, golden brown tan while

minimizing the negative effects of skin dehydration.

Caution:


California Tan products are intended to be used for tanning and moisturization only. They ARE NOT intended to produce any of the reported possible physiological and psychological benefits of the sun that are described above and California Tan does not represent that such benefits result from use of its products.

EXHIBIT J

California Tan[®]

Heliotherapy

R E P O R T



FEBRUARY ■ 1994

Exhibit J

- 1-800-222-SALON (Toll-Free Referral Number) How it Works
- Heliotherapy™
- Product Parade

FREE ADVERTISING For Preferred Salons Begins February 8th

Through an intense consumer advertising campaign in *People* and *YM* magazines, California Tan[®] will do for tanning in the '90s what Nexus and Paul Mitchell did for hair care in the '80s. For the first time ever, consumers who currently purchase Hawaiian Tropic and Coppertone from the multi-billion

industry will look to salons for higher quality products. California Tan[®] profit center, salons automatically qualify for the "Preferred Salon" program. This program is designed to help salons increase their business and by offering the toll-free referral number, 1-800-222-SALON, to their clients. Every week during the height of the



ADVERTISING SCHEDULE

In addition to the 30 million Americans who read *People* magazine, California Tan[®] is aggressively targeting the all-important teen market through *YM* magazine advertisements. Our research shows that teens are into tanning and love trying new products!

32 million people will see our ads and the toll-free Preferred Salon referral number every week throughout the height of the tanning season.

MAGAZINE	ISSUE	ON SALE	WHY
<i>YM</i>	March	2/8	It's the Prom Issue (Need we say more?)
	April	3/8	It's the height of the season!
	May	4/12	
<i>People</i>	Special 20th Annv. Issue	2/28 - 3/15	Everyone reads it!
	4/4	3/28	It's the height of the season
	4/11	4/4	
	4/18	4/11	

EXHIBIT J

(t)

Know What's In Your Lotion



Ingredients such as melanin, keratin, and Protovanol are fine for bronzers and sunless tanning lotions. But, these ingredients are showing up in products labeled "accelerators." The resulting color (as with all dyes and self-tanners) is fake and fades in a day or two.

Clients who use these products and get disappointed may blame your bulbs — never to return to your salon. Your salon's reputation is at stake when you sell a product that makes claims and does not deliver the expected results.

Read labels carefully to protect yourself and your clients. Make sure you are selling "real" tanning in a bottle (see box).

California Tan has been approached by major chemical companies to buy these dyes and skin reddening agents for our products. We have steadfastly refused to use them. California Tan uses only ingredients that maximize real tanning.

READ THE LABELS

Beware of so-called tanning "accelerators" with these ingredients:

INGREDIENT	WHAT IT DOES	PRODUCTS THAT USE IT
✓ Keratin or Beta Carotene	Temporary Dye	Swedish Beauty Australian Gold
✓ Melanin	Temporary Dye	Body Drench's Boost & Source Supre's Jam and Extreme Island Heat
✓ Protovanol	Irritant that makes skin warm and red	Island Heat Bronz Tan

Look for ingredients that maximize and promote real tanning:

Unipertan P-242

Cancer Protection

MORE ABOUT HELIOTHERAPY

Promoting Heliotherapy™ CAN INCREASE YOUR LOTION SALES

Let your customers know that

- Let your clients know that lotions can help them reap the positive effects of the sun and UV-light (a tan, increased immunity, lower cholesterol, etc.) while protecting themselves from and/or preventing the negative effects.
- Say to clients when they're signing in — "Did you know that the sun has some of the same effects on your body as exercise, like lower cholesterol and more oxygen going into your cells?"
- Put up a Heliotherapy™ poster at eye-level in each changing room.
- Make it a point to post one new positive effect of UV-light exposure per week in an area where salon employees will be most likely to read it. (See box-right).

FAST FACTS ON HELIOTHERAPY

Did you know that the sun produces many of the same benefits as exercise? Such as:

- ♥ Lowering blood cholesterol levels
- ♥ Lowering your resting heart rate
- ♥ Increasing your oxygen intake into cells
- ♥ Increasing your energy level

From Dr. Zane Kime's book, Sunlight

Tape this on the outside of your cash register where all your clients will see and watch your membership sales soar!

NOW AVAILABLE HELIOTHERAPY™ SYMPOSIUM VIDEO

In response to heavy demand, California Tan is making available the 90-minute Heliotherapy™ Product Symposium Video. If you can't make it to one of the symposiums, or if you've attended and need a refresher — the Heliotherapy™ Product Symposium Video is just the thing. Like the live symposiums, the video covers heliotherapy, selling techniques and easy-to-remember information about the product line in an entertaining format. \$9.95 plus postage and handling. Call: 1-800-STX-CARE to order.



Heliotherapy™... The Positive Effects of The Sun™

AT 000760

EXHIBIT J

CALIFORNIA TAN[®] EXPERTS OF THE MONTH

These tanning salon suppliers are certified experts on Heliotherapy[™] and have made California Tan[®] their premier product line. Feel free to call the one nearest you.



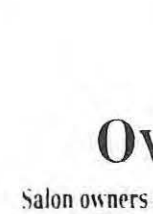
Ronnie and Johnie Allen
Four Seasons Sales
and Service
Paris, TN
(800) 326-2769



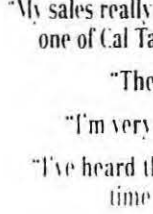
Andy and Tom Kuhn
Island Sun Burst
Naples, FL
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PC Marketing
Ridgefield, NJ
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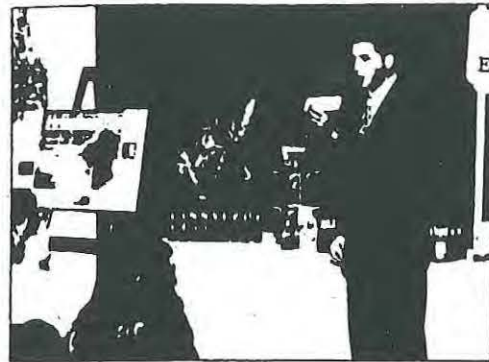
Pat Vincent
Vincent Sunbed Supply
Salt Lake City, UT
(801) 272-4100



Martha Quigg
Sunbelievable
Distributors
Huron, OH
(800) 686-8826



Cindy Austin
Tan Systems
Huron, OH
(800) 999-8266



California Tan[®] Heliotherapy[™] Product Symposium

**IS COMING TO YOUR AREA
FOR ONE ENGAGEMENT ONLY**

Distributors across America will be hosting a national series of California Tan[®] Heliotherapy[™] Product Symposiums to educate salons on various aspects of the tanning business. Guest speaker, Mike Brady, will show salons how to increase lotion sales by as much as 400%. Topics of discussion include:

- Comprehensive product knowledge
- Successful merchandising and sales techniques
- The facts about Heliotherapy[™] ... The Positive Effects of the Sun[™]
- The importance of point-of-purchase displays and educational literature
- How to expand your customer base and sell more sessions

SCHEDULE

DATE	PHONE #	LOCATION
02-17-94	800-727-8266	PHOENIX, AZ
02-23-94	800-999-0031	VIRGINIA BEACH, VA
02-27-94	704-522-1752	CHARLOTTE, NC
03-06-94	800-843-3749	WILLIAMSBURG, VA
03-07-94	800-776-4247	DETROIT, MI
03-08-94	800-776-4247	INDIANAPOLIS, IN
03-09-94	800-776-4247	CLEVELAND, OH
03-19-94	412-744-4844	JEANETTE, PA

OVERHEARD

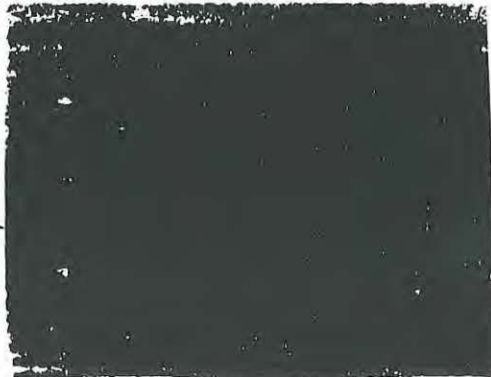
Salon owners are talking about California Tan's Heliotherapy[™] Product Symposiums:

"My sales really did increase 4 times after attending one of Cal Tan's Heliotherapy[™] Symposiums!"

"The speaker was fabulous!"

"I'm very glad I came; I learned a lot!"

"I've heard the presentation before and every time I learn something new!"



Complaint

123 F.T.C.

EXHIBIT J

SALON VERSION

Exhibit J (cont)

Permit No. 1750
Beverly Hills, CA
PAID
U.S. Postage
Bulk Rate

REPORT
California Tan
1100 Glendon Avenue, Suite 1250
Los Angeles, CA 90024

NEW PRODUCT PARADE

**HELIX
#1 SELLER**

In over 100 clinical tests, Helix™ out-performs, out-tans and out-moisturizes its leading competitors (even the other California Tan® products) by up to 63%.

Once customers know about the exclusivity of Helix™ and its phenomenal tanning results they are gladly paying the premium price.

**FEVER
TAKES OFF**

This Step-1 CREME GEL Maximizer® is taking the industry by storm.

Tropical Fever™ is great for getting those building a base tan hooked on lotions.

It simultaneously maximizes tanning results, optimizes exposure time and reduces the appearance of fine lines and wrinkles.

**FUSION
EXPLODES**

Tropical Fusion™ is already the fastest growing gel on the market. This Step-2 Intensifier should be prominently displayed — its fun packaging and bright purple gel can't be ignored. The Fusion™ ultra-light gel gets you beyond the "tanning plateau" to a rich, deeper tan faster than ever.

How it works

The toll-free Salon referral number in People and You magazine advertising:

- The number will be operational 24-hours a day, seven days a week and, even during holidays.
- Callers to the toll-free number will get a live operator for the first few months, and an automated one after that. They will be asked to give their zip code or enter it from their touch tone phone.
- The computer system will pull up the name and phone number of the Preferred Salon in the caller's area based on the zip code provided.
- The callers will also be given the option of getting up to three salon listings if there are three Preferred Salons in their area.
- To maximize individual retailer benefit, if there are three Preferred Salons in a given zip code, then each salon's name will be the first referral on every third call to the toll-free number.

The Heliotherapy® Report is a timely newsletter containing the latest scientific facts about the positive effects of the sun and sun-care products for sun-care specialists and their salons.

Published By
California Tan®
1100 Glendon Ave., Suite 1250
Los Angeles, CA 90024
1-800-SUN-CARE

Cheryl Stone
Editor

Carla Swartz
Art Director

CT 000763