

1986 U.S. Dist. LEXIS 19109, \*

**FEDERAL TRADE COMMISSION, Plaintiff, vs. PARADISE PALMS VACATION CLUB, et al., Defendants.**

C81-1160V

**UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF WASHINGTON**

1986 U.S. Dist. LEXIS 19109

October 15, 1986

**CASE SUMMARY:**

**PROCEDURAL POSTURE:** Plaintiff Federal Trade Commission (FTC) filed a complaint against defendant timeshare seller under the Federal Trade Commission Act § 13, 15 U.S.C.S. § 53(b) seeking injunctive and other relief.

**OVERVIEW:** The seller was Chairman of the Board of a Hawaii corporation that developed the timeshare project and arranged for the sale of memberships. The seller acquired a 50% interest in the corporation at the time he became Chairman of the Board. The seller, acting with others, caused misrepresentations to be made to prospective purchasers of memberships, directly or by implication, by and through sales representatives. The court granted the FTC's request for a permanent injunction against seller and the parties agreed that it was in the public interest to enter into the stipulated final judgment that contained a permanent injunction. The injunction, among other things, restrained the seller from assigning, transferring or soliciting payment on any installment credit contract or promissory note arising from a consumer's purchase of a timeshare interest, and from accepting, performing or continuing any role in vacation timesharing, directly or indirectly, including but not limited to timeshare development, promotion, financing, brokering, finance acquisition, sales or management.

**OUTCOME:** The court accepted the parties' stipulated final judgment that contained a permanent injunction restraining the seller from essentially participating in the timeshare business.

**CORE TERMS:** customer, timeshare, consumer, vacation, membership, notice, purchaser, cancellation, calendar, cancel, disclosure, property interest, arbitration, boldface, binding, refund, preliminary injunction, notification, signature, Injunction, prospective purchasers, promissory note, indirect control, misrepresentation, misrepresenting, accommodations, timesharing, acquisition, permanently, restrained

**LexisNexis(R) Headnotes**

*Antitrust & Trade Law > Federal Trade Commission Act > Coverage  
Banking Law > Federal Acts > Federal Trade Commission Act > Unfair Competition & Practices  
Real Property Law > Common Interest Communities > Timeshares*

[HN1] The Federal Trade Commission is charged, among other duties, with the responsibility of administering and enforcing Section 5 of the Federal Trade Commission Act, 15 U.S.C.S. § 45. That section proscribes unfair or deceptive acts and practices in or affecting commerce.

**COUNSEL:** [\*1] THEODORE WEISWASSER, Cyril Abramson, for defendant Weiswasser

Dean A. Fournier, Melanie J. Rowland, Judith A. Bendor, Attorneys for FEDERAL TRADE COMMISSION, 2806 Federal Building, 915 Second Avenue, Seattle, Washington 98174, for Plaintiff

**OPINION BY: VOORHEES**

**OPINION****STIPULATED FINAL JUDGMENT CONTAINING PERMANENT INJUNCTION AS TO DEFENDANT THEODORE WEISWASSER**

Judge Voorhees

Plaintiff, the Federal Trade Commission ("FTC"), having filed its complaint for injunctive and other relief in this matter; defendant Theodore Weiswasser ("defendant") having filed his answer to the complaint; this Court having issued as to defendant a Stipulated Preliminary Injunction herein on October 30, 1981, and subsequent orders and findings in CR85-139V; plaintiff FTC appearing by and through its attorneys Dean Fournier, Melanie Rowland and Judith Bendor; defendant appearing through his attorney, Cyril Abramson; the FTC and defendant having stipulated to entry of this Final Judgment containing Permanent Injunction; and the Court being fully advised in the premises;

NOW, THEREFORE, the Court makes the following stipulated findings:

**FINDINGS**

1. This Court has jurisdiction over the subject matter [\*2] herein and the parties to this case. The complaint states a claim upon which relief may be granted against defendant Theodore Weiswasser under Section 13(b) of the FTC Act, 15 U.S.C. § 53(b).
2. [HN1] The FTC is charged, among other duties, with the responsibility of administering and enforcing Section 5 of the FTC Act, 15 U.S.C. § 45. That section proscribes unfair or deceptive acts and practices in or affecting commerce.
3. This Final Judgment is applicable to defendant Theodore Weiswasser, an individual who was engaged in the promotion and sale of vacation timeshare interests in the Paradise Palms Vacation Club ("PPVC" or "Club"). Defendant has transacted business in this District in connection with the Club.
4. From January to June 1981, defendant Weiswasser was Chairman of the Board of WPMK Corporation ("WPMK"), a **Hawaii** corporation which developed the PPVC timeshare project and arranged for the sale of memberships in the Club. Weiswasser acquired a 50% interest in WPMK at the time he became Chairman of the Board. Throughout his chairmanship of WPMK and for approximately two weeks beforehand, Weiswasser exercised effective control over WPMK.
5. Purchasers of PPVC [\*3] memberships purportedly obtained a right to use Club vacation accommodations for one week each year in perpetuity, and an opportunity in any year to "exchange" into other companies' timeshare facilities nationwide and worldwide. Each one-week membership cost the purchaser approximately \$ 6,000.
6. In or about September 1980, WPMK engaged a sales company controlled by James R. Quincy to act as the marketing agent for PPVC timeshares. Quincy's company was still serving in that capacity when Weiswasser assumed the WPMK chairmanship in January 1981. The marketing agreement with Quincy's company remained in effect until May 15, 1981, when it was terminated.
7. Weiswasser, acting with others, caused the following misrepresentations to be made to prospective purchasers of PPVC memberships, directly or by implication, by and through Quincy's sales representatives:
  - a. That each PPVC member would be able to vacation in a luxurious condominium unit in **Hawaii** every year for decades to come. In fact, the Club's luxury units in **Hawaii** could accommodate no more than 20% of its members. The large majority of PPVC vacation units were not in **Hawaii** at all, but rather in an apartment [\*4] building in Lake Tahoe, Nevada, and a motel in Ocean Shores, Washington.
  - b. That PPVC owned the entire 42-story, twin-tower **Discovery Bay** condominium complex in Waikiki. In fact, the Club owned only eight **Discovery Bay** units, all of which were the subject of litigation seeking to prevent their use for timesharing purposes.
  - c. That WPMK would transfer to the Club, for members' use and benefit, at least one residential vacation unit for every 52 timeshare weeks they sold. Consumers were told that for every unit so transferred, sufficient receivables would be placed in an escrow account to cover any encumbrance on the unit. In fact, WPMK failed to transfer one unit for every 52 weeks sold. It also failed to place sufficient funds in escrow to cover encumbrances on the units which were transferred to the Club.
  - d. That each PPVC member would, upon payment of a \$ 35 fee, be entitled to participate in the timeshare exchange network operated by Interval International ("I.I."), through which they would be able in any year to exchange their right

to use PPVC accommodations for a right to use other timeshare vacation accommodations throughout the United States and abroad. In [\*5] fact, due to WPMK's failures to obtain I.I. approval of some PPVC units, to meet conditions specified in a litigation settlement agreement with I.I., and to register new members with I.I. as promised, numerous PPVC members were unable to participate in I.I. or obtain their requested exchanges.

8. Weiswasser directed the preparation of a Disclosure Statement, dated December 31, 1980, which was required by **Hawaii** timeshare regulations to be distributed to prospective purchasers, and was so distributed by WPMK's agents. At Weiswasser's direction, this Statement made no mention of the lawsuits filed against WPMK to prevent timesharing at **Discovery Bay**, all of which were known to Weiswasser at the time. Instead, the Statement declared: "There are no pending or anticipated suits that are material to the CLUB of which Developer [WPMK] has or should have knowledge." However, the ongoing litigation concerning the **Discovery Bay** units produced a preliminary injunction prohibiting their use for timesharing.

9. Weiswasser directed the preparation of a document titled "Certification Report," dated November 30, 1980 (issued December 29, 1980), which was materially misleading in that [\*6] it failed to state that the receivables placed in escrow to cover outstanding encumbrances on the Club's vacation units were sufficient for only eight units in **Hawaii**. The Report was intended to cause prospective purchasers to believe, and did cause them to believe, that Club members would have the use of 17 vacation units in **Hawaii** for decades. Knowing this implication to be false, Weiswasser caused the Report to be distributed to prospective purchasers as part of the Disclosure Statement described in Finding 8 above.

10. In February 1981, Weiswasser participated in a meeting of the Harbor Village Club ("HVC"), a Washington-based timeshare club which had become insolvent. The purpose of the meeting was to advise HVC members of a proposed acquisition of HVC properties by WPMK, and attendant absorption of HVC members into PPVC. Weiswasser told the assembled HVC members that the proposed acquisition would enable them to vacation in **Hawaii**, and that they would be part of a much stronger club with better facilities. However, Weiswasser was aware at the time that over 1500 use-weeks had been sold in PPVC, and that absorption of the HVC membership would add another 800 use-weeks [\*7] to be serviced. He was aware also of the continued inadequacy of escrowed receivables (sufficient for only 400 **Hawaii** use-weeks per year, at 8 units x 50 weeks), but neither that inadequacy nor the still ongoing litigation as to **Discovery Bay** units was disclosed by Weiswasser or others to the HVC members at the meeting. The HVC members thereafter voted to approve the acquisition and their absorption into PPVC.

11. In May 1985, pursuant to his guilty plea in CR85-139V, this Court found defendant Weiswasser to have acted in violation of the 1981 Preliminary Injunction entered against him, and in criminal contempt of court, by willfully causing and contributing to salespeople's misrepresentations and concealments of material facts in a series of Texas-based vacation timeshare programs he directed between November 1981 and early 1985. Among other things, customers and prospective customers were falsely led to believe that: (1) they could readily exchange their Texas timeshare weeks for desirable accommodations at resorts of their choice throughout the United States and abroad; (2) they would receive substantial rental income from their timeshares if they desired, with rentals arranged [\*8] by defendant's organization; (3) they would enjoy special tax advantages as timeshare owners; (4) unusual, temporary circumstances enabled particular sales to be made at much less than the timeshares' regular selling prices; (5) some timeshares were sold on a "trial" basis and would, at the customer's request, be bought back by defendant's company without loss to the customer; and (6) an independent, objective appraisal supported market value claims made for the timeshares in one of defendant's Texas projects. In further violation of the Preliminary Injunction, Weiswasser and his agents willfully and systematically failed to disclose that they had only a leasehold interest in a few units at another Texas timeshare project they were selling, and in many instances led customers and prospective customers to believe that their company owned all of the vacation units and other facilities there and that the customers would thereby become owners of real property and be given deeds reflecting that ownership interest. The Court sentenced Weiswasser to two years imprisonment, plus a third year suspended on condition that he pay \$ 250,000 toward restitution of consumer injury which the Government [\*9] estimated to exceed \$ 1.3 million.

12. Defendant has no present or foreseeable future resources from which any significant redress might be made to consumers or others injured by the acts and practices described in Findings 4-10 above. This conclusion is based on (a) defendant's sworn statements attesting to his lack of assets and income, copies of which have been filed in CR85-139V, and (b) his present incarceration and restitutionary obligations under this Court's sentence in CR85-139V.

13. The FTC and defendant Weiswasser have agreed that it is in the public interest to enter into this Stipulated Final Judgment Containing Permanent Injunction, and the Court so finds.

NOW, THEREFORE, the Court hereby Orders, Adjudges and Decrees as follows:

*I. Timeshare Businesses*

A. Defendant Theodore Weiswasser is permanently restrained and enjoined from assigning, transferring or soliciting payment on any installment credit contract or promissory note arising from a consumer's purchase of a timeshare interest, which contract or note defendant currently holds or controls or which he receives after entry of this Final Judgment.

B. Defendant Weiswasser is permanently restrained [\*10] and enjoined from accepting, performing or continuing any role in vacation timesharing, directly or indirectly, including but not limited to timeshare development, promotion, financing, brokering, finance acquisition, sales or management. This prohibition includes, but is not limited to, roles as consultant, adviser, franchisor, franchisee, independent contractor, manager, employee or sales representative of any kind.

*II. Other Real Estate/Vacation/Recreation Businesses*

Defendant Weiswasser, and his agents, servants, employees and other persons and entities subject in any part to his direct or indirect control, in connection with the development, promotion, sale or lease of interests in real estate to consumers, or of memberships in any vacation or recreational program in which the customer pays or becomes obligated to pay for some or all usage more than one year before the usage is to occur, or of any service related thereto, are permanently restrained and enjoined from:

A. Misrepresenting or causing to be misrepresented in any manner, directly or by implication:

1. the nature or value of the property, interest, membership or service, or of defendant's organization's [\*11] ownership or leasehold interest in the property;
2. the nature or extent of any existing or planned facility or service, or the availability or terms of availability of any such facility or service;
3. the nature or value of any gift, benefit or prize offered as an inducement to enter into a transaction, visit a sales office or other facility or listen to a sales presentation;
4. the financial savings to be realized by agreeing to a transaction or completing payment within any particular period of time;
5. the financial responsibility, stability or affiliations of the program, project developer, or any related entity;
6. the nature, benefits, conditions, or availability of any exchange or interchange privilege, or of any cancellation or refund privilege; or
7. any past, present or future prices of the property, interests, or memberships.

B. Representing or causing to be represented, directly or by implication:

1. that the property, interest, or membership will be bought back at a later date upon request, unless the customer is given a clear and binding buy-back or cancellation right in writing, applicable to him/her and not contradicted by other recitals;

[\*12] 2. that defendant's organization will resell or assist in the resale of the property, interest, or membership, unless (a) such is the fact and is reflected in the customer's contract, and (b) the terms, conditions and arrangements for such resale and/or assistance are clearly and conspicuously disclosed both orally and in writing, without contradictory recitals, at the time the representation is made; or

3. that defendant or any business or person with which he is or has been affiliated has received any type of federal approval, clearance or sanction; or misrepresenting directly or by implication that any federal or state agency or independent third party has approved, cleared or sanctioned the business or its offering.

**C. Representing or causing to be represented, directly or by implication, unless defendant can demonstrate that such is a fact and is not misleading:**

1. that the property, interest, or membership (a) is suitable for investment or is being offered for that purpose, (b) will be a good, profitable, safe or sound investment, or free or virtually free of financial risk, or (c) can be readily resold or resold at a profit;

2. that real estate or any purchase [\*13] or lease from defendant's organization is or will be a way to make money, achieve financial security, or reduce or avoid the impact of inflation; or

3. that the value or demand for the property, interests or memberships has risen, is rising, or may or will rise, or that customers have made, are making or will make a profit therefrom.

D. Making any mention of past or future prices of the property, interests, or memberships, or trends or changes in such prices, unless the representation (1) is expressly limited to past transactions, (2) is based on a statistically significant number of *bona fide* arm's length, comparable transactions, and (3) is closely accompanied by a clear and conspicuous written statement (also made orally, if the representation is oral) as follows:

Price changes are made at our discretion and do not mean that the property has changed in value or that you can resell your interest at the higher price or any other price.

E. Failing to include, in each contract for the sale of land which does not include a residential or commercial structure:

(1) in boldface type of a minimum size of 18 points, at the top and bottom of each page, the prominently displayed [\*14] title: "CONTRACT FOR THE PURCHASE OF LAND"; and

(2) clearly and conspicuously in the body of the contract, all of the statements set forth in the "Contract Disclosure Excerpts" attached hereto as Appendix A.

F. Failing to (1) furnish to each customer, on the date of the transaction, a completed form in duplicate containing the recitals set forth in the "NOTICE OF RIGHT TO CANCEL" attached hereto as Appendix B (and none other except identification of defendant's organization), in boldface type of a minimum size of 12 points except that the title shall appear in at least 18-point bold type (at top and bottom) and the five lines designated as "Note" may appear in any clear and conspicuous type size and setting, and (2) include on each installment credit contract and promissory note a clear and conspicuous warning to potential assignees that the transaction is subject to 10-day cancellation by the consumer.

G. Failing to comply with any applicable provision of Part III of this Judgment.

### III. *Consumer Business Generally*

Defendant Weiswasser, and his agents, servants, employees and other persons and entities subject in any part to his direct or indirect control, in connection [\*15] with any business engaged directly or indirectly in the sale or lease of goods or other property or services to consumers, are permanently restrained and enjoined from:

A. Accepting any advance payment from or on behalf of a consumer without:

1. having first obtained and filed, with FTC counsel and the Court, a bond (a) issued by a company which holds a Federal Certificate of Authority as Acceptable Surety on Federal Bond and Reinsuring and is authorized to do business as a surety in the state where the transaction with the consumer is consummated, (b) in an amount equal to or greater than the total dollar amount of outstanding obligations to consumers incurred or facilitated by defendant's organization after entry of this Judgment, and (c) providing surety against financial loss to consumers resulting from whole or partial failure of performance due primarily to misrepresentation or other violation of this Judgment, insolvency, or any other cause attributable in any significant part to defendant's organization, its successors or assigns, as determined by an arbitration panel, court or master of competent jurisdiction; and

2. disclosing to the consumer, clearly and conspicuously [\*16] in writing, that a bond has been obtained to secure performance of the obligations undertaken by defendant's organization and is on file with the United States District Court in Seattle, Washington.

B. Including in any contract, or other document shown or provided to a customer, language stating directly or indirectly that no express or implied representations have been made or that any particular representation has not been made in connection with the transaction; or *failing* to include, in each and every installment credit contract and promissory note executed by a consumer for any purpose whatever:

1. the following statement in at least 12-point boldface type (adding or substituting the bracketed language as necessitated by the nature of the transaction):

NOTICE

ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER [LESSOR] OF GOODS [, PROPERTY] OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.

2. a provision conditioning any transfer of the instrument on the transferee's agreement [\*17] to honor any arbitration award in case of dispute.

C. Soliciting, obtaining assent to or otherwise imposing any condition, waiver or limitation on a customer's right to cancel a transaction or receive a monetary refund or release (including rights created by law, contract, or action by any public authority); or *failing* to (1) disclose such right clearly and completely to each customer, both orally and in writing, including the nature, circumstances, duration and method of its exercise, and (2) grant within 15 calendar days of any customer's exercise of such a right, or within such lesser period as state law or other applicable authority may provide, a release and refund of all monies the customer is entitled to (including principal, interest, fees and assessments, as applicable).

D. Representing or causing to be represented, directly or by implication, that the signing of a contract or other legally binding document does not create a binding legal obligation; or obscuring or misrepresenting in any manner the legal or practical significance of any document. This provision prohibits, among other things, representations that only a deposit or reservation is being made, or [\*18] that the contract is only a first step or something less than a final decision on the purchase or lease, but shall not preclude accurate description of the contractual terms and conditions or of any applicable cancellation or refund privilege.

E. Making or causing to be made any statement or representation concerning the rights or obligations of defendant's organization or the customer which differs in any material respect from the rights or obligations of the parties as set forth in the legally binding documents.

F. Misrepresenting the program in any manner, directly or by implication, or failing to make clear disclosure of any fact necessary to avoid a misleading impression from representations made or implied.

G. Failing to arrange for arbitration, in accordance with Uniform Rules published by the Council of Better Business Bureaus, of any dispute a customer requests be arbitrated. Defendant shall cause to be furnished within ten calendar days to each customer who requests cancellation or complains orally or in writing about misrepresentation, or about any act or omission violative of this Judgment, *either* a full refund and release or a clear and adequate written [\*19] explanation of the arbitration of any unresolved dispute. Within seven calendar days of any such request, defendant shall cause the dispute to be submitted for arbitration. The decision reached in arbitration shall be binding on defendant's organization but shall not bind the customer unless the customer elects to accept it. Upon notice that any such award has been accepted, defendant shall cause a refund and/or release in accordance therewith to be issued within five calendar days.

H. Failing to (1) deliver a copy of this Final Judgment to each principal official of the business; (2) deliver a written notice containing the applicable terms of Parts II and III of this Judgment to each sales representative; (3) secure from each such official and representative a signed statement acknowledging receipt of the document and agreeing to adhere to the requirements thereof, as applicable; (4) permit FTC representatives to interview any person under defendant's direct or indirect control (who may have counsel present), regarding any matter pertinent to this Judgment; (5) refrain from interfering in any way with FTC representatives who wish to interview any other person (who may have counsel [\*20] present) regarding any matter pertinent to this Judgment.

*Provided, however,* that Paragraphs III.A-C and III.G-H (3) hereof shall not apply where defendant can show that no part of the business is owned, controlled or substantially influenced in any way, individually or collectively, by him, his agents, servants, employees or others subject in any part to his direct or indirect control.

#### IV. *Reporting and Record-keeping Requirements*

A. It is further ORDERED that defendant Weiswasser shall, for a period of five years after his release from confinement resulting from this Court's sentence (as supplemented by any other federal court on the basis of his role or activities in the WPMK/PPVC program), notify FTC counsel in writing within seven calendar days of any change in his business or employment situation, including self-employment. Each such notice shall identify fully the nature of the business and the entities involved (including the principal address and telephone number of each), and defendant's business address, telephone number, and duties and responsibilities in connection with the business. Upon request by FTC coun-

sel defendant shall furnish thereto, within [\*21] ten calendar days, copies of any or all sales or promotional materials used in the business, including but not limited to advertisements, brochures, pictures, charts, films, tapes, sales scripts and training materials, manuals, contract and promissory note forms and related papers. In the event of any material change in the foregoing information or materials within said five-year period, defendant shall notify FTC counsel in writing within ten calendar days of the change.

**B. Defendant shall, during the same five-year period, whenever**

(1) no bond is required due to absence of the conditions specified in Paragraph III.A of this Judgment, or

(2) no notification under Paragraph IV.A is required due to absence of the conditions there specified,

file at least annually with FTC counsel a sworn statement that no performance bond or business change notification is required.

C. Defendant shall, at least through the end of the seventh year following his release from the above-referenced confinement, preserve each record created or maintained in the ordinary course of business and all other material necessary to assess his compliance with this Judgment, including but not limited [\*22] to certified mail or other signed receipts and copies of reports generated pursuant to Paragraphs III.H, IV.A and IV.B above. Thereafter, no business record or other material necessary to assess defendant's compliance shall be destroyed or otherwise disposed of until at least three years after its creation or until the expiration of all related consumer-payment obligations, whichever occurs later. All such materials shall, upon written request and reasonable notice, be made available to FTC representatives for examination and copying during normal office hours. Expiration of the reporting and record-keeping provisions of this Part IV shall not affect any other requirement of this Judgment.

*V. Miscellaneous Provisions*

A. For purposes of Parts II and III of this Judgment, the following definitions and conditions shall apply:

1. "Defendant's organization" means defendant and his agents, independent contractors, attorneys and business associates, corporate or otherwise, and their officers, employees and servants.
2. "Consumer" means a natural person who seeks or obtains goods, property or services for personal, family or household use, and not primarily for a business [\*23] purpose.
3. "Advance payment" means any consideration (including partial consideration) furnished prior to delivery of the principal goods, property or services bargained for.
4. "Date of the transaction" means the date the customer (including partial consideration) incident to the transaction, whichever occurs sooner.
5. The various written statements to consumers required by Paragraphs II.B-III.A, III.C and III.G of this Judgment, as applicable, shall be made in the same language (*e.g.*, Spanish) principally used in the sales presentation, on documents given to the consumer for retention together with copies of all other legally binding documents (except that the explanation required by Paragraph III.G need not be accompanied by said other documents).

B. The Stipulated Preliminary Injunction entered as to this defendant on October 30, 1981 is hereby dissolved and replaced with this Final Judgment. The Plea Agreement and Stipulated Order and Judgment entered in CR85-139V continue in effect.

C. The Court retains jurisdiction for the purpose of enabling either of the parties to this stipulated Final Judgment to apply to the Court at any time for such further orders [\*24] or directions as may be necessary or appropriate for the interpretation or modification of this Judgment, for the enforcement of compliance therewith, or for the imposition of punishment or other sanctions for violation thereof.

It appearing to the Court that there is no just reason for delay, it is hereby directed that judgment be and hereby is entered in accordance with the foregoing, each party to pay its own cost and attorneys fees.

The parties hereby stipulate to the entry of this Final Judgment Containing Permanent Injunction. Defendant Weiswasser waives any and all claims under 28 U.S.C. § 2412, as amended by the Equal Access to Justice Act, 94 Stat. 2325 (1980).

***Contract Disclosure Excerpts***

The representations made by the seller in the property report [if any] and other materials [if any], concerning this property and realated facilities, improvements and services, are hereby incorporated into and made a part of this contract as if fully set forth herein. The cancellation right set forth in the separate "Notice of Right to Cancel" is hereby incorporated into and made a part of this contract as if fully set forth herein.

**THIS IS A CONTRACT BY WHICH [\*25] YOU AGREE TO PURCHASE LAND.** *You are taking a risk*, because the future value of this property, like all undeveloped property [or property which is only partially developed (where applicable)], is uncertain. \*

\* These two paragraphs of disclosures are to appear as separate paragraphs in the sequence indicated, in not less than 12-point boldface type, on the first page of the contract *or* in a position adjacent to the place for the purchaser's signature.

There may also be other risks. It is unlikely that the value of the property will increase or that you will be able to resell it without substantial community development and population growth, which may not occur for years, if at all. In attempting to resell your property, you may face competition from the seller's own continuing sales program. Also, real estate brokers may not be interested in selling your property or listing it for sale. \*

\* These two paragraphs of disclosures are to appear as separate paragraphs in the sequence indicated, in not less than 12-point boldface type, on the first page of the contract *or* in a position adjacent to the place for the purchaser's signature.

**[YOU SHOULD [\*26] CAREFULLY READ THE PROPERTY REPORT** (sometimes called an offering statement, public report or prospectus), which must be given to you before you sign this contract. It explains many important facts about the property and related facilities.] *It is suggested that you review this contract [and the property report] carefully with a lawyer, realtor or other qualified professional.* \*\*

\*\* This paragraph, as applicable, is to appear in 12-point boldface type in a position adjacent to the place for the purchaser's signature.

**NOTICE OF RIGHT TO CANCEL**

*[purchaser's name(s)]*

You may cancel this purchase, without any loss, expense, penalty or obligation, at any time prior to midnight of the 10th business day after the date of the transaction.

If you cancel, all payments made by you under the contract will be returned within 15 calendar days after the seller receives your cancellation notice.

To cancel your purchase, sign and mail (or deliver) a copy of this notice or any other written or wired cancellation notice to: *[appropriate address of defendant's organization to be filled in]* not later than midnight of *[date not earlier than 10th business day [\*27] following date of the transaction to be filled in]*.

NOTE: Notification by mail shall be considered given at the time postmarked; notification by telegram shall be considered given at the time filed for transmission; and notification by any other writing shall be considered given at the time delivered to the above address.

I (We) hereby cancel this transaction. (If only one purchaser signs this notice, it means he or she has permission to act for any other purchasers.)

Purchaser's Signature

Date

Purchaser's Signature