

IN THE MATTER OF
SILVER STAR CHINCHILLA, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION ACT

Docket C-1144. Complaint, Dec. 6, 1966—Decision, Dec. 6, 1966

Consent order requiring an Alexandria, Minn., seller of chinchilla breeding stock to cease using several improper and deceptive representations to induce prospective customers to buy its chinchilla breeding stock.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Silver Star Chinchilla, Inc., a corporation, and William O. Jaeger and Edward W. Schulke, individually and as officers of said corpora-

tion, hereinafter referred to as respondents, have violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Silver Star Chinchilla, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Minnesota, with its principal office and place of business located at Route 22, Alexandria, Minnesota.

Respondents William O. Jaeger and Edward W. Schulke, are individuals and officers of Silver Star Chinchilla, Inc., and its sole stockholders. They formulate, direct and control the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. Their address is the same as that of the corporate respondent.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the advertising, offering for sale, sale and distribution of chinchilla breeding stock to the public.

PAR. 3. In the course and conduct of their aforesaid business, respondents now cause, and for some time last past have caused, their said chinchillas, when sold, to be shipped from their place of business in the State of Minnesota to purchasers thereof located in various other States of the United States, and maintain, and at all times mentioned herein have maintained, a substantial course of trade in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their aforesaid business, and for the purpose of obtaining the names of prospective purchasers and inducing the purchase of said chinchillas, the respondents make numerous statements and representations by means of television broadcasts, newspaper advertisements, in direct mail advertising and through the oral statements, and display of promotional material to prospective purchasers by their salesmen, with respect to the breeding of chinchillas for profit without previous experience, the rate of reproduction of said animals, the expected return from the sale of their pelts, the market value of said animal as breeding stock, their quality, their hardiness and freedom from disease, their development, the training assistance and inspection services to be made available to purchasers of respondents' chinchillas and the limitation of the number of producers in an area.

Complaint

70 F.T.C.

Typical and illustrative, but not all inclusive of the said statements and representations made in respondents' direct mailing advertising and promotional literature are the following:

There is no experience needed in order to succeed.

Financial Independence.

YOU CAN BE YOUR OWN BOSS—by starting with three (3) mated pair of top quality CHINCHILLAS on our warranted plan, and it would not be unnormal for them in 4 years to produce approximately 50 mated pair of top quality breeding stock.

So 50 producing females can produce 200 or more animals each year thereafter for the pelting market. If you'll multiply this by \$25 per pelt it will amount to quite a comfortable annual income.

THESE ARE CONSERVATIVE FACTS THAT ARE ACTUALLY HAPPENING EVERY DAY!

To purchasers of our breeding stock we offer a complete advisory service, housing, diets, etc., and the benefits of our experience throughout the years.

Without Obligation your FREE illustrated Booklet explaining the facts of the CHINCHILLA industry.

PAR. 5. By and through the use of said statements and representations, and others of similar import and meaning but not specifically set forth herein, made by respondents in advertising and promotional literature and in the oral presentations made by their salesmen, respondents represent, directly or by implication, that:

1. The breeding of chinchillas for profit requires no previous experience.
2. Chinchillas sold by respondents are top quality breeding stock and have a market value ranging from \$200 to \$350 each.
3. Three pairs of chinchillas purchased from respondents will within three years produce at least 40 mated pairs of top quality breeding stock; three pairs of chinchillas purchased from respondents will within four years produce at least 50 mated pairs of top quality breeding stock; and that such 50 pairs of chinchillas will produce 200 or more chinchillas with top quality pelts for the pelting market each year thereafter.
4. Pelts from the offspring of respondents' breeding stock generally sell for \$20 to \$80 per pelt.
5. Fifty pairs of chinchillas raised from breeding stock purchased from respondents will produce an annual net income of \$5,000 within four years and of \$10,000 within five years.
6. Purchasers were receiving chinchilla breeding stock especially bred and developed by respondents.

7. It is practicable to raise chinchillas in the home and large profits can be made in this manner.

8. Chinchillas are free from disease and are not affected by high temperature and humidity.

9. Respondents will buy offspring from chinchillas purchased from them for pelting purposes.

10. That the Willard H. George Grading System used by respondents is an accepted standard in the chinchilla industry for determining the quality of chinchilla breeding stock; and that score sheets recording the grading of animals under that system are generally accepted by the chinchilla industry as proof of the quality of the chinchillas purchased from respondents.

11. Respondents' chinchilla breeding stock is sold only to a limited number of persons in each locality.

12. Specialized training in the breeding and care of chinchillas would be given to purchasers of respondents' chinchilla breeding stock.

13. Purchasers of respondents' breeding stock would have their chinchillas inspected by respondents twice each year or as required.

14. Purchasers of respondents' breeding stock would receive the benefit of respondents' experience in breeding chinchillas acquired over the years.

PAR. 6. In truth and in fact:

1. The breeding of chinchillas for profit requires specialized knowledge in the feeding, care and breeding of said animals much of which must be acquired through actual experience.

2. Chinchillas sold by respondents are not top quality breeding stock and do not have a market value ranging from \$200 to \$350 each but substantially less than those amounts.

3. In most cases three pairs of chinchillas purchased from respondents will not produce 40 mated pairs of top quality chinchilla breeding stock within three years; three pairs of chinchillas purchased from respondents will not, in most cases, produce 50 mated pairs of top quality chinchilla breeding stock within four years; and said 50 pairs of offspring will rarely, if ever, produce as many as 200 top quality pelts each year.

4. A purchaser of respondents' chinchillas could not expect to receive from \$20 to \$80 for each pelt produced since some pelts are not marketable at all and others would not sell for \$20, but for substantially less than that amount.

5. Fifty pairs of chinchillas raised from respondents' breeding

Complaint

70 F.T.C.

stock will not produce a net annual income of \$5,000 within four years and of \$10,000 within five years but substantially less than those amounts.

6. Purchasers of respondents' chinchillas seldom, if ever, received chinchilla breeding stock bred and developed by respondents.

7. It is not practicable to raise chinchillas in the home and large profits cannot be made by raising chinchillas in such manner.

8. Domesticated chinchillas are susceptible to pneumonia and other diseases and they do not tolerate high temperature and humidity.

9. Respondents will not buy offspring from chinchillas purchased from them for pelting purposes.

10. The Willard H. George Grading System is not an accepted standard in the chinchilla industry for determining the quality of chinchilla breeding stock and score sheets recording the grading of animals under that system are not generally accepted by the chinchilla industry as proof of the quality of chinchillas purchased from respondents.

11. Respondents do not limit the sale of chinchilla breeding stock in each locality.

12. Purchasers of respondents' breeding stock are not given training in the care and breeding of chinchillas.

13. Purchasers of respondents' breeding stock do not receive inspection services from respondents twice a year or as required.

14. Purchasers of respondents' breeding stock do not receive the benefit of respondents' experience in breeding chinchillas.

Therefore, the statements and representations as set forth in Paragraphs Four and Five hereof were, and are, false, misleading and deceptive.

PAR. 7. In the course and conduct of their business, at all times mentioned herein, respondents have been in substantial competition in commerce, with corporations, firms and individuals in the sale of chinchilla breeding stock.

PAR. 8. The use by respondents of the aforesaid false, misleading and deceptive statements, representations and practices, has had, and now has, the tendency and capacity to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were and are true and into the purchase of substantial quantities of respondents' chinchillas by reason of said erroneous and mistaken belief.

PAR. 9. The aforesaid acts and practices of the respondents, as herein alleged, were and are all to the prejudice and injury of the public and of respondents' competitors and constituted, and now constitute, unfair methods of competition in commerce, and unfair and deceptive acts and practices in commerce, in violation of Section 5 of the Federal Trade Commission Act.

DECISION AND ORDER

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

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

The Commission, having reason to believe that the respondents have violated the Federal Trade Commission Act, and having determined that complaint should issue stating its charges in that respect, hereby issues its complaint, accepts said agreement, makes the following jurisdictional findings, and enters the following order:

1. Respondent Silver Star Chinchilla, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Minnesota, with its office and principal place of business located at Route 22, Alexandria, Minnesota.

Respondents William O. Jaeger and Edward W. Schulke are officers of said corporation and their address is the same as that of said corporation.

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

Order

70 F.T.C.

ORDER

It is ordered, That respondents Silver Star Chinchilla, Inc., a corporation, and its officers, and William O. Jaeger and Edward W. Schulke, individually and as officers of said corporation, and respondents' agents, representatives and employees, directly or through any corporate or other device, in connection with the offering for sale, sale or distribution of chinchilla breeding stock in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from representing, directly or by implication, that:

1. Breeding chinchillas for profit can be undertaken without previous knowledge or experience in the feeding, care and breeding of such animals.

2. Chinchillas sold by respondents are top quality stock or that they have a market value of from \$200 to \$350 each; or misrepresenting in any manner the quality or market value of chinchillas sold by respondents.

3. Any given number of mated pairs of chinchillas purchased from the respondents or the offspring of said chinchillas will produce during a stated period of time breeding stock or pelts in any number in excess of or of a quality better than that usually and customarily produced by chinchillas sold by respondents, or the offspring of said chinchillas.

4. Chinchilla pelts produced from respondents' breeding stock will be worth any amount in excess of that usually received for pelts by other purchasers of respondents' breeding stock.

5. Fifty pairs of chinchillas will produce an annual net income of \$5,000 within four years or \$10,000 within five years; or that the net earnings or profits which may be derived from raising chinchillas is any amount in excess of the amount usually and customarily earned by purchasers of respondents' breeding stock.

6. Respondents breed and develop the chinchillas they sell.

7. It is practicable to raise chinchillas in the home or that large profits can be made in this manner.

8. Chinchillas are free from disease or that they are not adversely affected by high temperature and humidity.

9. Respondents will buy for pelting purposes, offspring from chinchillas purchased from them.

10. The Willard H. George Grading System is an accepted standard in the chinchilla industry for determining the qual-

ity of chinchilla breeding stock; or that score sheets recording the grading of animals under that system are generally accepted by the chinchilla industry as proof of the quality of the chinchillas purchased from respondents.

11. Sales by respondents of their chinchilla breeding stock are limited to a few persons in each locality.

12. Purchasers of respondents' chinchilla breeding stock are given training in the care and breeding of chinchillas or are furnished advice by respondents as to the breeding of chinchillas: *Provided, however,* That it shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that the represented training or advice is actually furnished.

13. Purchasers of respondents' chinchilla breeding stock will be furnished with inspection services by respondents twice each year or as often as such services may be required by the purchaser: *Provided, however,* That it shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that the represented inspection services are actually furnished.

14. Misrepresenting in any manner the assistance, training, services or advice supplied by respondents to purchasers of their chinchilla breeding stock.

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