

IN THE MATTER OF

ASSOCIATED CHINCHILLA SERVICES OF NEW
ENGLAND, INC., DOING BUSINESS AS CHINCHILLA
PRODUCERS ASSOCIATION, ET AL.

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

Docket C-1488. Complaint, Jan. 31, 1969—Decision, Jan. 31, 1969

Consent order requiring a Hartford, Conn., seller of chinchilla breeding stock to cease making exaggerated earning claims, misrepresenting the quality of its stock, deceptively guaranteeing the fertility of its stock, and misrepresenting its services to purchasers.

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 Associated Chinchilla Services of New England, Inc., a corporation, formerly doing business under its own name and now doing business as Chinchilla Producers Association, and John O. Lindgren, Billie J. Lindgren and Troy R. Loun, Jr., individually and as officers and directors of said corporation, herein-after 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 Associated Chinchilla Services of New England, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Connecticut, with its principal office and place of business located at 111 Pearl Street, Suite 718, Hartford, Connecticut 06103.

Respondents John O. Lindgren, Billie J. Lindgren and Troy R. Loun, Jr., are officers and directors of said corporate respondent and formulate, direct and control its acts and practices, including the acts and practices hereinafter set forth. The address of respondents John O. Lindgren and Billie J. Lindgren is the same as that of the corporate respondent. The address of respondent Troy R. Loun, Jr., is 111 Pinewoods Road, Granby, Connecticut 06035.

Respondent John O. Lindgren, from January 1966 to September 1966, traded and did business as The Chinchilla Guild of America, New England Division. His principal office and place of business was located at 111 Pearl Street, Suite 718, Hartford, Connecticut. In September 1966, respondent John O. Lindgren and respondents Billie J. Lindgren and Troy R. Loun, Jr., organized and incorporated said Associated Chinchilla Services of New England, Inc. From September 1966 to April 1967, the corporate respondent did business under its own name. Since April 1967, the corporate respondent has been doing business as Chinchilla Producers Association.

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 Connecticut 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 said products 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, respondents make numerous statements and representations in direct mail advertising in newspaper and magazine advertising, and through the oral statements and display of promotional material to prospective purchasers by their salesmen, with respect to the

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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 animals as breeding stock, their quality, their warranty, and the training assistance to be made available to purchasers.

Typical and illustrative of said advertising and promotional statements and representations, but not all inclusive thereof, are the following:

YOU CAN BE A
CHINCHILLA RANCHER
RIGHT WHERE YOU LIVE

And enjoy a substantial income for retirement, college financing or a higher standard of living.

WE PROVIDE exclusively

- Thorough training.
- Professional guidance, counseling, inspection.
- Pelting, priming, marketing.
- GUARANTEED ANIMALS.

YOU PROVIDE:

- A love for animals.
- A little spare time.
- A spare room, garage or small building.

You invest \$2,100 or more * * * .

RAISE CHINCHILLAS FOR PROFIT!

A small investment can grow into a substantial return. Your potential earnings are several thousand dollars annually.

Chinchillas can be raised anywhere. In a spare room, basement or garage.

Gentlemen: Please send me (without obligation) information on The Guild's method of chinchilla production.

I am interested in additional annual income of (Check one)

\$2,500 ☐ \$5,000 ☐ \$7,500 ☐ \$10,000 ☐ \$15,000 ☐

Every name on this page sold chinchilla pelts for \$28 to \$61 last month. Are you on this list? These are some of our ranchers.

Chinchilla ranchers are earning thousands of dollars a year IN THEIR SPARE TIME. Turn extra room into income for Education, Travel, Retirement.

Guild Breeders are warranted to live 3 years, and reproduce.

Professional Assistance from well-trained Ranch Inspectors assures success, even if you have no experience.

Profit is High * * * The demand for pelts increases every year.

* * * * *

The average value of the white pelts that are in New York now is just a hair over \$200.00.

PAR. 5. By and through the use of the above-quoted statements and representations, and others of similar import and meaning but not expressly set out herein, and through the oral statements and representations made in sales presentations to purchasers, respondents represent and have represented, directly or by implication, that:

1. It is commercially feasible to breed and raise chinchillas from breeding stock purchased from respondents in homes, basements, garages, or spare rooms and large profits can be made in this manner.

2. The breeding of chinchillas from breeding stock purchased from respondents as a commercially profitable enterprise requires no previous experience in breeding, raising and caring for such animals.

3. Each female chinchilla purchased from respondents and each female offspring will produce several successive litters of from one to four live offspring at 111-day intervals.

4. All of the offspring referred to in Paragraph Five (3) above will have pelts selling for an average price of \$30 per pelt, and that pelts from offspring of respondents' breeding stock generally sell from \$28 to \$61 each.

5. Chinchillas sold by respondents are high quality or "Empress Certified" quality breeding stock.

6. Each female chinchilla purchased from respondents and each female offspring will produce at least four live young per year.

7. A purchaser starting with three females and one male of respondents' chinchillas will have an annual income of \$5,250 a year from the sale of pelts at the end of the fifth year.

8. Chinchilla breeding stock purchased from respondents is unconditionally warranted to live three years and within 18 month reproduce a number of offspring equal to the number of animals originally purchased.

9. Breeding chinchillas by mated pairs produces more offspring of better quality than using one male to breed several females, called polygamous breeding.

10. Respondents doing business as Chinchilla Producers Association have been in the chinchilla business for more than 13 years.

11. Chinchillas are hardy animals and are not susceptible to diseases.

12. Chinchilla mutation breeding stock has a market value of \$350 each and the pelts of the offspring of chinchilla mutations having a white, silver or beige color, generally sell for \$80 to \$200 each.

13. Purchasers of respondents' chinchilla breeding stock will receive professional assistance or guidance in the care and breeding of chinchillas from well-trained ranch inspectors.

14. Purchasers of respondents' breeding stock can expect a great demand for the offspring and for the pelts of the offspring of respondents' chinchillas.

15. A purchaser investing \$2,500 in respondents' chinchillas will make \$10,500 a year in net profits five years after the purchase of respondents' chinchillas.

PAR. 6. In truth and in fact:

1. It is not commercially feasible to breed or raise chinchillas from breeding stock purchased from respondents in homes, basements, garages or spare rooms and large profits cannot be made in this manner. Such quarters or buildings, unless they have adequate space and the requisite temperature, humidity, ventilation and other necessary environmental conditions are not adaptable to or suitable for the breeding of chinchillas on a commercial basis.

2. The breeding of chinchillas from breeding stock purchased from respondents as a profitable commercial enterprise requires specialized knowledge in the breeding, raising and caring of said animals, much of which must be acquired through actual experience.

3. Each female chinchilla purchased from respondents and each female offspring will not produce several successive litters of from one to four live offspring at 111-day intervals, but generally less than that number.

4. All of the offspring referred to in subparagraph (4) of Paragraph Five above will not produce pelts selling for an average price of \$30 per pelt but substantially less than that amount;

and pelts from offspring of respondents' breeding stock will generally not sell for \$28 to \$61 each since some of the pelts are not marketable at all and others would not sell for \$28 but substantially less than that amount.

5. Chinchillas sold by respondents are not high quality or "Empress Certified" quality breeding stock.

6. Each female chinchilla purchased from respondents and each female offspring will not produce at least four live young per year but generally less than that number.

7. A purchaser starting with three females and one male of respondents' breeding stock will not have an annual income of \$5,250 from the sale of pelts at the end of the fifth year, but substantially less than that amount.

8. Chinchilla breeding stock purchased from respondents is not unconditionally warranted to live three years and within 18 months reproduce a number of offspring equal to the number of animals originally purchased; but such guarantee as is provided is subject to numerous terms, limitations and conditions.

9. Breeding chinchillas by mated pairs does not produce more offspring or offspring of better quality than the polygamous breeding method.

10. Respondents doing business as Chinchilla Producers Association have not been in the chinchilla business for more than 13 years. They have been doing business under this name for less than two years.

11. Chinchillas are not hardy animals and are susceptible to pneumonia and other diseases.

12. Chinchilla mutation breeding stock does not have a market value of \$350 each but substantially less than that amount, and the pelts of the offspring of chinchilla mutations having a white, silver, or beige color do not generally sell for \$80 to \$200 each. Such pelts have seldom, if ever, been sold and when sold have brought substantially less than those amounts.

13. Purchasers of respondents' chinchilla breeding stock do not receive professional assistance or guidance in the care and breeding of chinchillas from well-trained ranch inspectors. Many of respondents' inspectors have little, if any, training in the care and breeding of chinchillas and are not competent to advise or assist purchasers in the care and breeding of chinchillas.

14. Purchasers of respondents' breeding stock cannot expect a great demand for the offspring or the pelts of the offspring of respondents' chinchillas.

15. A purchaser investing \$2,500 in respondents' chinchillas will not make \$10,500 a year in net profits five years after the purchase of respondents' chinchillas. Such purchasers can make little, if any, profit five years after said purchase.

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

PAR. 7. In the course and conduct of their aforesaid business, and at all times mentioned herein, respondents have been, and now are, 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 respondents that the law has been

violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record and having duly considered the comment filed thereafter pursuant to § 2.34(b) of its Rules, now, in further conformity with the procedure prescribed in such Rule, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Associated Chinchilla Services of New England, Inc., formerly doing business under its own name and now doing business as Chinchilla Producers Association, is a corporation organized, existing and doing business under and by virtue of the laws of the State of Connecticut, with its office and principal place of business located at 111 Pearl Street, Suite 718, Hartford, Connecticut 06103.

Respondents John O. Lindgren and Billie J. Lindgren are officers and directors of said corporation and their address is the same as that of said corporation. Respondent Troy R. Loun, Jr. is an officer and director of said corporation and his address is 111 Pine-woods Road, Granby, Connecticut 06035.

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

It is ordered, That respondents Associated Chinchilla Services of New England, Inc., a corporation, doing business under its own name or as Chinchilla Producers Association, or under any other trade name or names and its officers, and John O. Lindgren, Billie J. Lindgren and Troy R. Loun, Jr., individually and as officers and directors of said corporation, and respondents' representatives, agents and employees, directly or through any corporate or other device, in connection with the advertising, offering for sale, sale or distribution of chinchilla breeding stock or any other products in commerce, as "commerce" is defined in the federal Trade Commission Act, do forthwith cease and desist from:

A. Representing, directly or by implication, that:

1. It is commercially feasible to breed or raise chin-

chillas in homes, basements, garages, spare rooms or other quarters or buildings or that large profits can be made in this manner: *Provided, however,* That it shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that the represented quarters or buildings have the requisite space, temperature, humidity, ventilation and other environmental conditions which would make them adaptable to and suitable for the breeding and raising of chinchillas on a commercial basis and that large profits can be made in this manner.

2. Breeding chinchillas as a commercially profitable enterprise can be achieved without previous knowledge or experience in the breeding, raising and care of such animals.

3. Each female chinchilla purchased from respondents and each female offspring will produce successive litters of from one to four live offspring at 111-day intervals.

4. The number of litters or sizes thereof produced per female by respondents' chinchilla breeding stock is any number: *Provided, however,* That it shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that the represented number of litters and sizes thereof are actually and usually produced by chinchillas purchased from respondents or the offspring of said chinchillas.

5. Pelts from the offspring of respondents' chinchilla breeding stock sell for an average price of \$30.00 per pelt; or that pelts from the offspring of respondents' breeding stock generally sell from \$28 to \$61 each.

6. Chinchilla pelts from respondents' breeding stock will sell for any price, average price, or range of prices: *Provided, however,* That it shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that the represented price, average price, or range of prices are actually and usually received for pelts produced by chinchillas purchased from respondents or by the offspring of such chinchillas.

7. Purchasers of respondents' chinchilla breeding stock will receive high quality or "Empress Certified" quality chinchillas or any other grade or quality of chinchillas: *Provided, however,* That it shall be a defense in

any enforcement proceeding instituted hereunder for respondents to establish that purchasers do actually receive chinchillas of the represented grade or quality.

8. Each female chinchilla purchased from respondents and each female offspring produce at least four live young per year.

9. The number of live offspring produced per female chinchilla is any number or range thereof: *Provided, however,* That it shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that the represented number or range thereof of offspring are actually and usually produced by female chinchillas purchased from respondents or the offspring of said chinchillas.

10. A purchaser starting with three females and one male of respondents' chinchillas will have, from the sale of pelts, an annual income, earnings or profits of \$5,250 at the end of the fifth year after purchase.

11. Purchasers of respondents' breeding stock will realize gross or net income, earnings or profits in any amount or range of amounts: *Provided, however,* That it shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that the represented amount or range of amounts of earnings, profits or income are actually and usually realized by purchasers of respondents' breeding stock.

12. Breeding stock purchased from respondents is warranted or guaranteed without clearly and conspicuously disclosing the nature and extent of the guarantee, the manner in which the guarantor will perform and the identity of the guarantor.

13. Breeding chinchillas by mated pairs will produce more and better quality offspring than by polygamous breeding.

14. Respondents doing business as Chinchilla Producers Association or under any other trade or corporate name or as individuals have been in the chinchilla business for 13 years; or misrepresenting, in any manner, the length of time respondents individually or through any corporate or other device have been in business.

15. Chinchillas are hardy animals or are not susceptible to disease.

16. Chinchilla mutation breeding stock has a market value of \$350 each or any other price or range of prices; or that the pelts of chinchilla mutants having a white, silver or beige color or any other color generally sell for \$80 to \$200 each or any price, average price or range of prices: *Provided, however,* That it shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that the represented price, average price or range of prices are actually and usually received for chinchilla mutation breeding stock and the pelts of the chinchilla mutants having a white, silver or beige color or other color.

17. Purchasers of respondents' chinchilla breeding stock are given guidance or professional assistance in the care and breeding of chinchillas; or that respondents' ranch inspectors are well trained or qualified to give guidance or professional assistance in the care and breeding of chinchillas: *Provided, however,* That it shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that the purchasers are actually given the represented guidance or professional assistance in the care and breeding of chinchillas and that their ranch inspectors are well trained and qualified to give such guidance and professional assistance in the care and breeding of chinchillas.

18. Chinchillas or chinchilla pelts are in great demand; or that purchasers of respondents' breeding stock can expect to be able to sell the offspring or the pelts of the offspring of respondents' chinchillas because said chinchillas or pelts are in great demand.

19. Purchasers investing \$2,500 in respondents' chinchillas will make \$10,500 in net profit each year five years after the purchase of respondents' chinchillas.

20. Purchasers investing any amount or range of amounts will make any amount, or range of amounts, in profit in any number of years or interval of time after the purchase of respondents' chinchillas: *Provided, however,* That it shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that purchasers investing a stated amount, or range of amounts, actually and usually realize the represented number of years or interval of time.

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

C. Misrepresenting, in any manner, the earnings or profits of purchasers of respondents' chinchilla breeding stock.

D. Failing to deliver a copy of this order to cease and desist to all present and future salesmen or other persons engaged in the sale of the respondents' products or services and failing to secure from each salesman or other person a signed statement acknowledging receipt of said order.

It is further ordered, That the respondents' corporation shall forthwith distribute a copy of this order to each of its operating divisions.

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.
