

Complaint

77 F.T.C.

IN THE MATTER OF

SILVER PRIDE CHINCHILLAS, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION ACT*Docket C-1714. Complaint, Mar. 25, 1970—Decision, Mar. 25, 1970*

Consent order requiring a Nashville, Tenn., distributor of chinchilla breeding stock to cease making exaggerated earning claims for purchasers of its chinchillas, 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 Silver Pride Chinchillas, Inc., a corporation, and Jay F. Meyers and I. T. Sturges, individually and as officers of said corporation, 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 Pride Chinchillas, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Tennessee, with its principal office and place of business located at 1040 Murfreesboro Road, Nashville, Tennessee.

Respondents Jay F. Meyers and I. T. Sturges are officers of Silver Pride Chinchillas, Inc. 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 corporation.

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 Tennessee 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, the respondents have made, and are now making, numerous statements and representations by means of television broadcasts, direct mail advertising, newspaper publications, 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 and the training assistance to be made available to purchasers of respondents' chinchillas.

Typical and illustrative, but not all inclusive of the said statements and representations made in respondents' newspaper advertisements, television broadcasts and promotional literature, are the following:

We think you can raise a herd of 50 pair of animals in a room about 9x12 and can adequately take care of them in just a couple hours a day.

. . . All you need is a spare room in your house. . .

Any arrangement is satisfactory which protects the animals from elements. Garages, basements, spare rooms, porches, sheds, etc.

PERHAPS YOU CAN QUALIFY.

Can you answer "yes" to the following questions? Do you love animals? Will you follow instructions? Do you have patience? Do you want a business of your own?

Here's a profitable business you can start at home.

The myth that chinchillas are delicate has been completely exploded.

Chinchillas are tenacious of life and reflect the vigor of their ancestors. As a consequence farm mortality is comparatively low.

. . . they are . . . an exceptionally good and hardy animal.

Well, since we know that SILVER PRIDE deals only with quality chinchillas . . .

Silver Pride has spent thousands of dollars in research and development . . . so contact SILVER PRIDE CHINCHILLAS. They will supply you with registered animals.

. . . every animal in our organization has a pedigree and is a fully registered animal.

And, in about three years, by starting with 3 pairs, you could build up a herd of fifty pairs . . . which would be very profitable for you.

Litters vary from one to five young and females may produce several successive litters at 111 day intervals without taking a rest.

It would be very possible to have three litters a year. But in our overall program of building up 3 or 4 pairs of chinchillas to about 50 pairs in three years, we base it on just two litters a year and 2 animals to a litter. They will have from 1 to 5 in a litter and very frequently will have a third litter in a year. . . . But based on two litters a year and two animals to a litter and

Complaint

77 F.T.C.

starting with three pair, there should be about 50 pair, a good sized herd, in three years.

A 50 pair ranch . . . that would be a pretty profitable ranch, wouldn't it?

Yes, it would be a very profitable ranch. Ranchers that start out small like this and build their herd up in about 3 years could expect under normal circumstances to get their investment back in three to five years.

IF YOU NEED RETIREMENT INCOME EXTRA INCOME . . .
FULLTIME INCOME INVESTIGATE CHINCHILLA RANCHING.

Can chinchillas be a sound investment? We feel that there is no other known industry which will show such tremendous and continued earning power.

Now this Chinchilla Expert . . . will he make periodic checks on the herd?

Yes, he will.

. . . . We have men in the field helping ranchers with the mating of chinchillas, as we don't expect everyone to be an expert in chinchilla husbandry.

We guarantee that the chinchillas WILL live and breed for the first year.

. . . they will guarantee production and that your chinchillas will live for a year.

SILVER PRIDE OFFERS THESE SERVICES

Complete financing. Marketing services.

Replacement warranties. Professional assistance.

Thorough Training Program.

PAR. 5. By and through the use of the aforesaid statements and representations and others of similar import and meaning, but not expressly set out herein, separately and in connection with statements and representations made by their salesmen and representatives, respondents represented, and are now representing, directly or by implication, that:

1. It is commercially feasible to breed and raise chinchillas from breeding stock purchased from respondents in homes, basements, porches, garages or sheds, 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 the breeding, caring for and raising of such animals.

3. Chinchillas are hardy animals, and are not susceptible to diseases.

4. Purchasers of respondents' breeding stock receive pedigreed or top quality chinchillas.

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

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

7. The offspring referred to in Paragraph Five subparagraph (6) 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 \$25 to \$45 each.

8. A purchaser starting with four mated pairs of respondents' chinchilla breeding stock will from the sale of pelts, recover his purchase money of \$2,120 in three years and have an annual income of \$7,000 in the fifth year.

9. Chinchilla breeding stock purchased from respondents is unconditionally guaranteed to live, breed and litter.

10. Purchasers of respondents' breeding stock will receive periodic service calls from respondents' personnel.

11. Purchasers of respondents' breeding stock are given guidance in the care and breeding of chinchillas.

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

13. Through the assistance and advice furnished to purchasers of respondents' breeding stock by respondents, purchasers are able to successfully breed and raise chinchillas as a commercially profitable enterprise.

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, porches, garages or sheds, 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 or raising of chinchillas on a commercial basis.

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

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

4. Chinchilla breeding stock sold by respondents is not pedigreed or top quality.

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

6. Each female chinchilla purchased from respondents and each female offspring will not produce several successive litters of from

one to five live offspring at 111 day intervals, but generally less than that number.

7. The offspring referred to in subparagraph (6) 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 \$25 to \$45 each since some of the pelts are not marketable at all and others would not sell for \$25 but for substantially less than that amount.

8. A purchaser starting with four mated pairs of respondents' breeding stock will not recover his purchase money in three years or have an annual income of \$7,000 in the fifth year from the sale of pelts but substantially less than these amounts.

9. Chinchilla breeding stock purchased from respondents is not unconditionally guaranteed to live, breed and litter but such guarantee as is provided is subject to numerous terms, limitations and conditions.

10. Purchasers of respondents' breeding stock do not receive periodic service calls from respondents' personnel but generally less than the number of calls represented.

11. Purchasers of respondents' breeding stock are given little if any guidance in the care and breeding of chinchillas.

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

13. Purchasers of respondents' breeding stock are not able to successfully breed and raise chinchillas as a commercially profitable enterprise through and assistance and advice furnished them by respondents.

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; and 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 of the same general kind and nature as that sold by respondents.

PAR. 8. The use by respondents of the aforesaid false, misleading and deceptive statements, representations and practices has had, and now has, the capacity and tendency 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

312

Decision and Order

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 for a period of thirty (30) days, now in further conformity with the procedure prescribed in § 2.34(b) of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Silver Pride Chinchillas, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Tennessee, with its office and principal place of business located at 1040 Murfreesboro Road, Nashville, Tennessee.

Respondents Jay F. Meyers and I.T. Sturges are individuals and officers of Silver Pride Chinchillas, Inc. They formulate, direct and control the acts and practices of said corporation, and their address is the same as that of said corporation.

Order

77 F.T.C.

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 Silver Pride Chinchillas, Inc., a corporation, and its officers, and Jay F. Meyers and I. T. Sturges, 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 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 chinchillas in homes, basements, porches, garages, sheds, or other quarters or buildings unless in immediate conjunction therewith it is clearly and conspicuously disclosed that the represented quarters or buildings can only be adaptable to and suitable for the breeding and raising of chinchillas on a commercial basis if they have the requisite space, temperature, humidity, ventilation and other environmental conditions.

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

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

4. Purchasers of respondents' chinchilla breeding stock will receive pedigreed or top quality chinchillas.

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

6. The number of live offspring produced per female chinchilla is any number or range of numbers; or representing, in any manner, the past number or range of numbers of live offspring produced per female chinchilla of purchasers of respondents' breeding stock unless in fact the past number or range of numbers represented are those of a substantial number of purchasers and accurately reflect the number or range of numbers of live offspring produced per female chinchilla of these purchasers under circumstances

similar to those of the purchaser to whom the representation is made.

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

8. The number of litters or sizes thereof produced per female chinchilla is any number or range thereof; or representing, in any manner, the past number or range of numbers of litters or sizes produced per female chinchilla of purchasers of respondents' breeding stock unless in fact the past number or range of numbers represented are those of a substantial number of purchasers and accurately reflect the number or range of numbers of litters or sizes thereof produced per female chinchilla of these purchasers under circumstances similar to those of the purchaser to whom the representation is made.

9. Pelts from the offspring of respondents' chinchilla breeding stock sell for an average price of \$30 per pelt; or that pelts from the offspring of respondents' breeding stock generally sell from \$25 to \$45 each.

10. Chinchilla pelts from respondents' breeding stock will sell for any price, average price, or range of prices; or representing, in any manner, the past price, average price or range of prices of purchasers of respondents' breeding stock unless in fact that past price, average price or range of prices represented are those of a substantial number of purchasers and accurately reflect the price, average price or range of prices realized by these purchasers under circumstances similar to those of the purchaser to whom the representation is made.

11. A purchaser starting with four mated pairs of respondents' chinchilla breeding stock will, from the sale of pelts, recover his purchase money in three years or have an annual income, earnings or profits of \$7,000 in the fifth year after purchase.

12. Purchasers of respondents' breeding stock will realize earnings, profits or income in any amount or range of amounts; or representing, in any manner, the past earnings, profits or income of purchasers of respondents' breeding stock unless in fact the past earnings, profits or income represented are those of a substantial number of purchasers and accurately reflect the average earnings, profits or in-

Order

77 F.T.C.

come of these purchasers under circumstances similar to those of the purchaser to whom the representation is made.

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

14. Respondents' chinchillas are guaranteed unless respondents do in fact promptly fulfill all of their obligations and requirements set forth in or represented, directly or by implication, to be contained in any guarantee or warranty applicable to each and every chinchilla.

15. Purchasers of respondents' chinchilla breeding stock will receive advice from a chinchilla expert at any interval or frequency unless purchasers do in fact receive the represented number of service calls at the represented interval or frequency.

16. Purchasers of respondents' chinchilla breeding stock are given guidance in the care and breeding of chinchillas or are furnished advice by respondents as to the breeding of chinchillas unless purchasers are actually given the represented guidance in the care and breeding of chinchillas and are furnished the represented advice by respondents as to the breeding of chinchillas.

17. 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.

18. The assistance or advice furnished to purchasers of respondents' chinchilla breeding stock by respondents will enable purchasers to successfully breed or raise chinchillas as a commercially profitable enterprise.

B. 1. Misrepresenting, in any manner, the assistance, training, services or advice supplied by respondents to purchasers of their chinchilla breeding stock.

2. Misrepresenting, in any manner, the earnings or profits to purchasers or the quality or reproduction capacity of any chinchilla breeding stock.

C. Failing to deliver a copy of this order to cease and desist to all present and future salesmen and other persons engaged in the sale of the respondents' products or services and failing to

secure from each such salesman or other person a signed statement acknowledging receipt of said order.

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

It is further ordered, That respondents notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or any other change in the corporation which may affect compliance obligations arising out of the order.

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.
