

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

Docket C-1719. Complaint, Apr. 3, 1970—Decision, Apr. 3, 1970

Consent order requiring a Cayce, S.C., seller of chinchilla breeding stock to cease making exaggerated earning claims, misrepresenting the quality of its stock, deceptively guaranteeing the fertility of its stock, using the word "ranch" deceptively, 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 The Great Southern Chinchilla Ranch, Inc., a corporation, and William W. Cope, Glenn E. Deese, Hamp D. Smoak, Jr., and Lewis Way, individually and as officers and directors of said corporation and Pat Vella, individually and as a former officer and director 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 The Great Southern Chinchilla Ranch, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of South Carolina, with its principal office and place of business located at 829 Knox Abbott Drive, Cayce, South Carolina.

Respondents William W. Cope, Glenn E. Deese, Hamp D. Smoak, Jr., and Lewis Way are individuals and officers and directors of said corporation and they cooperate and act together to formulate, direct and control the acts and practices thereof including the acts and practices hereinafter set forth. Respondent William W. Cope's address is Route 3, Box X, Orangeburg, South Carolina. Respondent Hamp D. Smoak, Jr.'s address is Route 1, Box 46, Cordova, South Carolina. Respondents Glenn E. Deese and Lewis Way's addresses are the same as that of said corporation.

Respondent Pat Vella formerly cooperated and acted together with said respondents to formulate, direct and control said acts and practices. Respondent Pat Vella's address is 918 Beth Drive, West Columbia, South Carolina.

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 South Carolina to purchasers thereof located in South Carolina and various States other than South Carolina, and maintain, and at all times mentioned herein have maintained, a substantial course of trade in said chinchillas 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 continue to make numerous statements and representations

by means of advertising in newspapers, magazines, and through oral statements and display of promotional material to prospective customers by their salesmen, with respect to the raising, breeding, and pelting of chinchillas for profit without previous experience, the rate of reproduction of said animals, their quality, their freedom from disease, the expected return from the sale of their pelts, and the training, assistance and services to be made available to purchasers of respondents' chinchillas.

Typical and illustrative, but not all inclusive of the statements and representations made in respondents' advertisements and promotional material are the following:

Make money in the chinchilla ranching business.

Become chinchilla ranchers with less than \$400 cash. With chinchilla fur coats the most expensive on the market, chinchilla fur farming offers growing opportunity.

We furnish cages, feed, medication, and a complete training program on the care and breeding of these clean, odorless animals.

We guarantee all chinchillas to live.

Start in a spare room in basement, garage, tobacco barn, utility or storage house.

WE GUARANTEE to buy all off-spring!

A small investment can earn you from \$2,000 to \$15,000 per year!

The chinchilla is naturally hardy and does not require elaborate housing. A basement, unused bedroom, or built-in back porch may be used as a starter.

An outside building such as a barn, shed, chicken house, or garage is also satisfactory.

. . . A rancher cannot depend on three litters a year but on approximately two litters a year and approximately two babies per litter. On a basis of two litters per year and two babies per litter and the sex breaking even and barring any unforeseen and unpredictable casualties, one female should produce 16 females over a three-year period, of which these 16 on the above basis would produce 64 offspring a year. You can readily see how this pyramids as the years go by, especially if one saves almost all of the females born.

. . . Give them an abundance of fresh air which in itself with good clean surroundings normally will prevent most diseases.

When the new rancher is accepted under The Great Southern Chinchilla Ranch, Inc. program, he is taught the business of raising chinchillas profitably. Service calls are made periodically at each ranch for a period of at least one year. A staff is always available to advise the chinchilla rancher at no cost to the rancher.

Here's the reason for our optimism. . . . A market that is growing . . . and growing. Every year more fur manufacturers use chinchillas.

The Great Southern Chinchilla Ranch, Inc. guarantees a market for all of your chinchilla pelts if you do not wish to sell your chinchillas live.

. . . our price guarantees you a profit. The Great Southern Chinchilla Ranch, Inc. guarantees your stock to live and reproduce.

Should you start with five females and one male on the basis of two litters

Complaint

77 F.T.C.

per year and two babies per litter, with the sex breaking even (barring any unforeseen and unpredictable casualties), this chart will give you an example of your profits:

Year	Females	Males	Offspring	Females	Males	Males to sell
1.....	5	1	20	10	10	8
2.....	15	3	60	30	30	25
3.....	45	8	180	90	90	68
4.....	135	31	540	270	270	216
5.....	405					317

Over a four year period of time you have built your herd up to 405 females, and have sold 317 males for pelting. Last year Empress quality pelts sold for approximately \$31.00 each. Figuring the average, you would have taken in over \$9,000 while you were building your herd up to over 400 females.

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 the oral statements and representations made by their salesmen and representatives to prospective purchasers and 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, or outbuildings, 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 top quality or "Empress Certified" 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 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 produce pelts selling for an average price of \$30 per pelt and that pelts from offspring of respondents' breeding stock generally sell from \$20 to \$75 each.

8. A purchaser starting with five females and one male will have from the sale of pelts, an annual income, earnings or profits of \$9,000 in the fifth year after purchase.

9. Chinchilla breeding stock purchased from respondents is unconditionally guaranteed to live and reproduce.

10. Purchasers or respondents' breeding stock receive service calls from respondents' service personnel for the first one to three years or for a period after purchase of the animals.

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

12. Purchasers of respondents' breeding stock are given guidance in the priming and pelting of chinchillas.

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

14. 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.

15. Respondents will purchase all live healthy offspring between the ages of 6 to 12 months raised by purchasers of respondents' breeding stock for \$25 per female or \$100 for a group of three males and one female or at the current wholesale market price.

16. Respondents maintain facilities for and provide priming, pelting and marketing services to purchasers of their chinchilla breeding stock.

17. Respondents own and operate a chinchilla ranch whereon they breed and raise the breeding stock sold by their customers.

18. Respondents' servicemen are experts and have had extensive experience in chinchilla raising, pelting and priming.

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 or outbuildings, 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 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. Purchasers of breeding stock sold by respondents do not receive top quality or "Empress Certified" quality breeding stock.

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 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 \$20 to \$75 each since some of the pelts are not marketable at all and others would not sell for \$20 but for substantially less than that amount.

8. A purchaser with five females and one male of respondents' breeding stock will not have a yearly income, earnings or profits of \$9,000 in the fifth year after purchase.

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

10. Purchasers of respondents' breeding stock seldom, if ever, receive service calls from respondents' service personnel.

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 are not given guidance in the priming and pelting of chinchillas.

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

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

15. Respondents have not purchased any offspring raised by purchasers of respondents' breeding stock.

16. Respondents do not maintain facilities for and do not provide priming, pelting or marketing services to purchasers of their chinchilla breeding stock.

17. Respondents do not own or operate a chinchilla ranch whereon

they breed and raise the breeding stock sold to their customers but they buy such breeding stock from others for resale to purchasers.

18. Respondents' servicemen have had little, if any, experience in chinchilla raising, pelting and priming.

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 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

Order

77 F.T.C.

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 The Great Southern Chinchilla Ranch, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of South Carolina, with its office and principal place of business located at 829 Knox Abbott Drive, Cayce, South Carolina.

Respondents William W. Cope, Glenn E. Deese, Hamp D. Smoak, Jr., and Lewis Way are individuals and officers and directors of said corporation. They cooperate and act together to formulate, direct and control the policies, acts and practices of said corporation, including the acts and practices under investigation. Respondent William W. Cope's address is Route 3, Box X, Orangeburg, South Carolina. Respondent Hamp D. Smoak, Jr.'s address is Route 1, Box 46, Cordova, South Carolina. Respondents Glenn E. Deese and Lewis Way's addresses are the same as that of said corporation.

Respondent Pat Vella has formerly cooperated and acted together with said respondents to formulate, direct and control said acts and practices. Respondent Pat Vella's address is 918 Beth Drive, West Columbia, South Carolina.

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 The Great Southern Chinchilla Ranch, Inc., a corporation, and its officers, and William W. Cope, Glenn E. Deese, Hamp D. Smoak, Jr., and Lewis Way, individually and as officers and directors of said corporation, and Pat Vella, individually and as a former officer and director 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, garages, spare rooms, enclosed porches, chicken coops, barns or other quarters or buildings or that large profits can be made in this manner 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 top quality or "Empress Certified" quality chinchillas or any other grade or quality of chinchillas unless purchasers do actually receive chinchillas of the represented grade or quality.
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 successive litters of from one to five live offspring at 111-day intervals.
7. The live offspring or 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 live offspring or 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 live offspring or 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.
8. The offspring of chinchilla breeding stock purchased from respondents will produce pelts selling for an average

price of \$30 per pelt or that pelts from offspring of respondents' breeding stock generally sell from \$20 to \$75 each.

9. Chinchilla pelts produced 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 the 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.

10. A purchaser starting with five females and one male will have from the sale of pelts, an annual income, earnings or profits of \$9,000 in the fifth year after purchase.

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

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

13. 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 or are furnished the represented advice by respondents as to the breeding of chinchillas.

14. Purchasers of respondents' breeding stock will receive service calls from respondents' service personnel for the first one to three years or any other interval or frequency after purchase unless the service calls as represented are actually furnished.

Order

15. Purchasers of respondents' chinchilla breeding stock are given guidance in the priming and pelting of chinchillas unless the represented guidance in the priming and pelting of chinchillas is actually furnished.

16. 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.

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

18. Respondents will purchase all or any of the chinchilla offspring raised by purchasers of respondents' breeding stock for \$25 per female or \$100 for a group of three males and one female, or for any other price or prices, unless respondents do, in fact, so purchase all of the offspring offered by said purchasers at the represented prices and on the terms and conditions represented.

19. Respondents maintain facilities for and provide priming, pelting and marketing services to purchasers unless they do, in fact, maintain facilities and provide services as represented.

20. Respondents raise their own breeding stock; or misrepresenting, in any manner, the source of their products.

21. Using the word "ranch" or any other word of similar import or meaning in or as part of respondents' corporate or trade name unless and until respondents own and operate premises whereon they breed and raise the chinchilla breeding stock sold by them.

22. Respondents' service personnel are qualified to service purchasers of their chinchilla breeding stock in raising, priming and pelting such animals; or misrepresenting, in any manner, the qualifications, experience or training of such personnel.

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 of purchasers or the quality or reproduction capacity of chinchilla breeding stock sold by respondents.

Complaint

77 F.T.C.

3. Misrepresenting, in any manner, the status of respondents' business, the source of their products or the facilities available to purchasers of their products.

C. 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 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.

IN THE MATTER OF

KEN-CHILLA, INC., ET AL.

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

Docket C-1720. Complaint, Apr. 7, 1970—Decision, Apr. 7, 1970

Consent order requiring a Nampa, Idaho, seller of chinchilla breeding stock and its subsidiary located in Battle Mountain, Idaho, to comply with the