

Complaint

IN THE MATTER OF

CHINCHILLA PRODUCERS ASSOCIATION OF
COLORADO, INC., ET AL.

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

Docket 8794. Complaint, July 22, 1969—Decision, June 23, 1970

Consent order requiring a Denver, Colo., seller of chinchilla breeding stock to cease making exaggerated earning claims, misrepresenting the quality of its stock, deceptively guaranteeing the fertility of its stock, misrepresenting the training and services available to purchasers, and misusing the word "association" in its trade name.

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 Chinchilla Producers Association of Colorado, Inc., a corporation, and James E. Martin, individually and as an officer 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 Chinchilla Producers Association of Colorado, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Colorado, with its principal office and place of business located at 3520 North Brighton Boulevard, Denver, Colorado.

Respondent James E. Martin is an individual and officer of Chinchilla Producers Association of Colorado, Inc. He formulates, directs and controls the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. Respondent Martin's address is 1606 Willow Road, Lees Summit, Missouri.

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 busi-

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ness in the State of Colorado 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 make numerous statements and representations by means of television and radio 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 respondent's chinchillas.

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

YOUR FUTURE
DEMANDS
MORE INCOME

Dewey Compton, recognized authority on animal husbandry, says:

"CHINCHILLA RANCHING, as practiced by members of the Chinchilla Producers Association, is a pleasant, part-time business, enjoyable to the entire family, which can provide money for retirement, college costs, extra luxuries, or permit mother to quit work and make a better home.

"I am a lovable quiet, odor-free animal. I produce the world's finest fur which is in constant demand. I thrive on personal affection, eat very little, live in a small cage, and make no mess. You and I can make money in our own business."

THIS IS HOW THE BUSINESS WORKS:

YOU:

Invest the equivalent of a compact car, making your investment on a 36-month plan while your business grows. Devote minutes a day to feeding, watching and enjoying your animals. Provide an 8'x12' spare room, part of your garage or small building.

WE:

Train you in every detail. Provide continuous guidance. Guarantee your animals to live and litter. Pelt and market your herd offspring.

Detailed Information on Request

* * * * *

RAISE CHINCHILLAS FOR ADDITIONAL INCOME

Here is your opportunity to earn additional income from a multi-million-dollar industry that is paying off thousands of dollars a year in profits to spare-

time chinchilla raisers in all parts of the country! This is extra money YOU can use to provide for college education . . . a higher standard of living for your family . . . or retirement income. All it takes on your part is a small investment of dollars, and space in your spare room, garage, or building. We provide the rest.

We guarantee your animals will live and reproduce.

We teach you all phases of Chinchilla Ranching at our school.

We publish monthly information bulletins to keep you informed of all new developments.

We furnish periodic inspections for herd improvement by qualified personnel.

We maintain priming, pelting and marketing facilities.

We offer financial assistance, if needed—you can pay for your business as your investment grows.

INVESTIGATE! Our proven formula can make your family financially independent

* * * * *

THE MARKET DEMAND IS GROWING!

QUALITY PELTS BRING FROM \$20.00 TO \$60.00 EACH ON TODAY'S MARKET, AND THE DEMAND FOR PELTS INCREASES EVERY YEAR!

The profit is unequalled, considering your investment, time and space required to raise select quality chinchillas. There is nothing you can raise or grow on a part-time basis that can equal raising quality chinchillas.

INVESTIGATE CHINCHILLA PRODUCTION NOW!

* * * * *

CHINCHILLA PRODUCERS ASSOCIATION, INC.

3520 BRIGHTON BLVD. • DENVER, COLORADO • PHONE 222-0593

Starting with: One Select Quality White Mutation Male—Three Select Quality Standard Females

Assuming your females produce an average of 4 offspring yearly.

FIRST YEAR

Your 3 females would produce 12 young. Keep 8 Market 4.

SECOND YEAR

Your 9 females would produce 36 young. Keep 24 Market 12.

THIRD YEAR

Your 27 females would produce 108 young. Keep 72 Market 36.

EACH YEAR THEREAFTER

Your 81 females would produce 324 offspring yearly:

162 Standard pelts at \$25.00 per pelt	\$ 4,050
162 Mutation pelts at \$100.00 per pelt	16,200
Estimated total income from pelt sales	20,250
Estimated cost of operation—Feed, pelting, marketing etc.	7,250
Estimated total annual profit	13,000
Total investment	\$3,380

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, separately and in connection with oral statements and representations made by their salesmen and repre-

sentatives, the respondents have 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, garages, or spare buildings, 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 select 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 \$25 per pelt, and that pelts from offspring of respondents' breeding stock generally sell from \$20-\$60 each.

8. A purchaser starting with three females and one male of respondents' chinchilla breeding stock will have an annual income of \$20,250 from the sale of pelts in the fourth year.

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

10. The respondents will promptly fulfill all of their obligations and requirements set forth in or represented, directly or by implication, to be contained in the guarantee applicable to each and every chinchilla.

11. Purchasers of respondents' breeding stock receive service calls from respondents' service personnel four times a year for the first year after purchase of the animals.

12. Purchasers of respondents' breeding stock are given guidance in the care and breeding 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. Chinchilla mutation breeding stock has a market value of \$1,500 each and the pelts of offspring chinchilla mutants having a white, silver or beige color, generally sell for \$75 to \$150 each.

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

16. 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.

17. Through the use of the word "association" separately and as part of the respondents' trade name, respondent is an association formed for the mutual aid and protection of purchasers of respondents' breeding stock.

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, garages or spare buildings, 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 of pedigreed or select 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 \$25 per pelt but substantially less than that amount; and pelts from offspring of respondents' breeding stock will generally not sell for \$20-\$60 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 starting with three females and one male of respondents' breeding stock will not have an annual income of \$20,250

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from the sale of pelts in the fourth year but substantially less than that amount.

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. Respondents do not in fact promptly fulfill all of their obligations and requirements set forth in or represented, directly or by implication, to be contained in the guarantee applicable to each and every chinchilla and in a substantial number of cases not at all.

11. Purchasers of respondents' breeding stock do not receive four service calls for the first year from respondents' service personnel but generally less than that number, if any.

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

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

14. Chinchilla mutation breeding stock does not have a market value of \$1,500 but substantially less than that amount, and pelts of the offspring of chinchilla mutants having a white, silver or beige color do not generally sell for \$75 to \$150 each. Such pelts have seldom, if ever, been sold and when sold have brought substantially less than those amounts.

15. 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 three years.

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

17. Respondents' business organization is not an association formed for the mutual aid and protection of purchasers of respondents' chinchilla breeding stock but is a business organization formed for the purpose of selling chinchilla breeding stock for a profit.

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 of the same general kind and nature as those 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 Commission having issued its complaint on July 22, 1969, charging the respondents named in the caption hereof with violation of the Federal Trade Commission Act, and the respondents having been served with a copy of that complaint; and

The Commission having duly determined upon motion certified to the Commission that, in the circumstances presented, the public interest would be served by waiver here of the provision of Section 2.34(d) of its Rules that the consent order procedure shall not be available after issuance of complaint; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by respondents of all the jurisdictional facts set forth in the 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 set forth in such complaint, and waivers and provisions as required by the Commission's rules; and

The Commission having considered the aforesaid agreement and having determined that it provides an adequate basis for appropriate disposition of this proceeding, the agreement is hereby accepted, the following jurisdictional findings are made, and the following order is entered:

1. Respondent Chinchilla Producers Association of Colorado, Inc., is a corporation organized, existing and doing business under and by

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virtue of the laws of the State of Colorado. The corporation has not been doing business since August 1, 1968, but has never been dissolved. The corporation can be reached in care of James E. Martin, Box 3015, Sioux City, Iowa.

Respondent James E. Martin is an officer of said corporation. He formulates, directs and controls the policies, acts and practices of said corporation, although the corporation has been inactive since August 1, 1968, and his address is Box 3015, Sioux City, Iowa.

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 Chinchilla Producers Association of Colorado, Inc., a corporation, and its officers, and James E. Martin, individually and as an officer 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 or spare buildings, 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 select quality chinchillas.

5. Each female chinchilla purchased from respondents

and each female offspring will produce at least four live young 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 from 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 from 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 \$25 per pelt; or that pelts from the offspring of respondents' breeding stock generally sell from \$20 to \$60 each.

10. Chinchilla pelts from the offspring of 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 pelts from chinchillas 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.

11. A purchaser starting with three females and one male will have, from the sale of pelts, an annual income, earnings or profits of \$20,250 in the fourth 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 or 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.

13. 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.

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 service calls from respondents' service personnel four times a year for the first year after purchase of the animals or at any other 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. Chinchilla mutation breeding stock has a market value of \$1,500 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 \$75 to \$150 each or any other price, average price or range of prices.

19. Respondents doing business as Chinchilla Producers Association 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.

20. 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. Using the word "Association" or any other word or term of similar import or meaning as part of the respondents' trade or corporate name or in any other manner; or misrepresenting, in any other manner, the nature or status of respondents' business.

C. 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.

D. 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 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.

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IN THE MATTER OF

BEAUTI-LOOM CARPET AND DRAPERY CO.,
INC., ET AL.CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
TRUTH IN LENDING AND THE FEDERAL TRADE COMMISSION ACTS*Docket C-1751. Complaint, June 23, 1970—Decision, June 23, 1970*

Consent order requiring a Kansas City, Mo., seller of carpets and draperies to cease misrepresenting its consumer credit arrangements by failing to state in terminology prescribed by Sec. 226.8 of Regulation Z of the Truth In Lending Act the cash price of the article offered for sale, the downpayment required, the number, amounts, and due dates of installment payments, the annual percentage rate of the finance charge, and the deferred payment charge.

COMPLAINT

Pursuant to the provisions of the Truth in Lending Act and the implementing regulation promulgated thereunder and the Federal Trade Commission Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Beauti-Loom Carpet and Drapery Co., Inc., a corporation, and Alfred Nadler and Henry Nadler, individually and as officers of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts and implementing regulation, 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 Beauti-Loom Carpet and Drapery Co., Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Missouri, with its principal office and place of business located at 4534 Troost Avenue, Kansas City, Missouri. Respondents Alfred Nadler and Henry Nadler are officers of the corporate respondent. They formulate, direct and control the acts and practices hereinafter set forth. Their address is the same as the corporate respondent.

PAR. 2. Respondents are now and for some time last past have been engaged in the sale of carpets and draperies to the public.

PAR. 3. In the ordinary course and conduct of their business, as aforesaid, respondents, in order to facilitate the sales of carpets and draperies, regularly extend or arrange for the extension of consumer credit as "consumer credit" is defined in Regulation Z, the imple-