

Consent order requiring a High Point, N.C., distributor of chinchilla breeding stock and seller of chinchilla fur garments to cease and desist from making exaggerated earning claims, misrepresenting the quality of the stock, deceptively guaranteeing the fertility of the stock, and misrepresenting the financial and medical services available 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

Complaint

77 F.T.C.

Trade Commission, having reason to believe that Chinchilla Associates of America, Inc., a corporation, also doing business as The House of Dizel, a division of said corporation and Roy Lee Morris, individually and as 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 Associates of America, Inc., also doing business as The House of Dizel is a corporation organized, existing and doing business under and by virtue of the laws of the State of North Carolina, with its principal office and place of business located at 2902 North Main Street, High Point, North Carolina.

Respondent Roy Lee Morris is an individual and officer of Chinchilla Associates of America, Inc., owning one-third of the outstanding shares of stock of said corporation. As president of said corporation he formulates, directs and controls the acts and practices hereinafter set forth.

The address of the individual respondent is the same as that of the corporate respondent.

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

PAR. 3. In the course and conduct of their aforesaid business, respondents caused and for some time last past have caused, and respondents Roy Lee Morris and Chinchilla Associates of America, Inc., also doing business as The House of Dizel, continue to cause their said chinchillas and related products when sold, to be shipped from their place of business in the State of North Carolina to purchasers thereof located in various other 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 and related products, the respondents made, and respondents Roy Lee Morris and Chinchilla Associates of America, Inc., also doing business as The House of Dizel, continue to make numerous statements and representations by means of television and radio broadcasts, direct mail advertising,

newspaper and magazine publications, and through oral statements and display of promotional materials to prospective purchasers by their salesmen, with respect to the breeding of chinchillas for profit without previous experience, the quality of the chinchilla breeding stock sold, the rate of reproduction of said animals, the expected return from the sale of their pelts for which there is a great demand by The House of Dizel and the training assistance to be made available to purchasers of respondents' chinchillas. Moreover, said representations emphasized that respondents solicit only a limited number of customers, that the purchasers of respondents' breeding stock may, if dissatisfied, return said animals for a complete refund after one year, and that respondents have available a medical staff.

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

It is obvious that this grand [chinchilla] fur has a vast market all to itself which other furs cannot lay claim to.

If you qualify, Chinchilla Associates of America will teach you the business and will purchase all marketable animals.

If you qualify, we will teach you how [to raise chinchillas profitably] also guarantee IN WRITING to buy all marketable animals and replace any that do not live or reproduce the first year.

SUPPLEMENT YOUR INCOME! There is a waiting market for CHINCHILLAS YOU RAISE.

I understand that pelts will sell for \$5 to \$65 and that the national average is slightly less than \$20 per pelt with Empress Co-op average being slightly less than \$30.

We will guarantee to pay a minimum of \$40.00 per mixed pair of standards and \$100 each pure beige (sic) mutations.

The C. A. A. may purchase any or all animals consigned for pelting at \$40.00 per animal.

The chinchilla industry is a good investment.

[Chinchilla raising] is a venture which can furnish many years of pleasure and profit in the future to those who see its advantage today.

Fortunate is the man or woman who owns a herd of these animals, for all the world wants chinchilla and only America produces it.

... [Chinchilla raising] is neither a fad nor a hobby, but a pleasant and profitable business that will bring satisfaction and security. ...

Not only is the profit from raising chinchillas fabulous, but is something that is fun to do; ...

[Chinchilla raising] could mean *income for you* ... on an investment less than the price of a new car.

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.

Complaint

77 F.T.C.

... by following a few simple rules and instructions [chinchilla raising] is in no way difficult.

Updated [training] material will come to you from time to time.

We endeavor to instruct and help the new rancher to become successful.

Feed and supplies are available at regional depots. . . .

... priming and pelting stations, staffed by experienced personnel, are available. . . .

We carry a continuous research in an effort to improve the quality of C. A. A. [breeding] stock. . . .

All chinchillas purchased from Chinchilla Associates of America are certified as to quality by a worldwide grading system and guarantees that you receive top quality chinchillas. . . .

[Chinchilla Associates of America customers will] receive information pertinent to the medicine, dosages, care, etc. of chinchillas as recommended by Our Medical Staff.

The seminars will cover . . . medical assistance. . . .

Our team of research doctors . . . is constantly working on improved methods. . . .

The gestation period [of female chinchillas] is 111 days. The mother is receptive to breeding the day she litters.

... C. A. A. has arranged bank financing for ranchers to start into the profitable chinchilla business . . . with down payment as low as \$600.

This heretofore unheard of arrangement means that financial institutions have now recognized the great potential of the chinchilla business.

We have a strict code of ethics that you will not be subjected to any sales program. . . .

Chinchilla Associates of America are actively engaged in the manufacture of chinchilla fur garments under our own label The World of Dizel.

THE WORLD OF DIZEL—MANUFACTURER OF CHINCHILLA GARMENTS.

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 respondents Roy Lee Morris and Chinchilla Associates of America, Inc., also doing business as The World of Dizel, continue to represent directly or by implication, that:

1. It is commercially feasible to breed and raise chinchillas from breeding stock purchased from respondents in homes, basements, spare rooms, or garages, and large profits can be expected 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. Each female chinchilla purchased from respondents and each female offspring will usually litter successively several times annually producing one to five offspring per litter, averaging four offspring annually.

4. The offspring referred to in Paragraph Five, subparagraph 3 above will sell for \$5 to \$65 each and will have pelts selling for an average price of \$20 per pelt, and that pelts from offspring of respondents' breeding stock generally sell from \$5 to \$65 each.

5. A purchaser starting with five females and one male of respondents' chinchilla breeding stock will have an annual income of \$10,000 to \$12,000 in the fourth year from the sale of live animals or their pelts.

6. Chinchilla breeding stock purchased from respondents is unconditionally guaranteed to live and litter.

7. 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.

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

9. Respondents will purchase any or all the chinchilla offspring raised by purchasers of respondents' chinchilla breeding stock, without distinction as to the quality or condition of such offspring, for \$40 per mixed pair of standard chinchillas.

10. Through the assistance and advice furnished to purchasers of respondents' chinchilla breeding stock by respondents, purchasers are able to successfully breed and raise chinchillas on a part-time basis as a commercially profitable enterprise.

11. Respondents have a medical staff to assist purchasers of respondents' chinchilla breeding stock in the care and maintenance of said animals.

12. Bank financing for the purchase of respondents' chinchilla breeding stock is available because financial institutions recognize the great potential of the chinchilla business.

13. Purchasers of respondents' chinchilla breeding stock can, if dissatisfied, return said animals to respondents after one year for a complete refund from respondents.

14. Respondents will not reveal to prospective purchasers of respondents' chinchilla breeding stock the names of past purchasers of respondents' breeding stock because said chinchilla breeding stock is

Complaint

77 F.T.C.

of such precious value that such disclosure might cause theft of the chinchilla breeding stock.

15. Respondents' chinchilla breeding stock is of top quality as rated by a worldwide fur grading system.

16. Purchasers of respondents' chinchilla breeding stock can obtain said animals for a downpayment of \$600 without, however, making any of the disclosures required in the Truth in Lending Act (P.L. 90-321; 82 Stat. 146 *et seq.*) and the Act's implementing Regulation Z (12 CFR 226).

17. Only a limited number of applicants are qualified to purchase respondents' chinchilla breeding stock.

18. Chinchillas are hardy animals or are not susceptible to ailments.

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, spare rooms and garages and large profits cannot be expected this way. Such quarters or buildings, unless they have adequate space and the requisite temperature, humidity, ventilation and necessary environmental conditions are not adaptable to or suitable for the breeding or raising of chinchillas.

2. The breeding of chinchillas from breeding stock purchased from respondents as a commercially feasible enterprise requires specialized knowledge in the breeding, caring for and raising 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 usually litter successively several times annually producing one to five offspring per litter, averaging four offspring annually, but generally less than that number.

4. The offspring referred to in Paragraph Six, subparagraph 3 above will neither sell for \$5 to \$65 each nor will they produce pelts selling for an average price of \$20 per pelt but substantially less than that amount; and pelts from offspring of respondents' breeding stock will generally not sell for \$5 to \$65 each since some of the pelts are not marketable at all and others would not sell for \$20, but substantially less than that amount.

5. A purchaser starting with five females and one male of respondents' chinchilla breeding stock will not have an annual income of \$10,000 to \$12,000 from the sale of live animals or their pelts in the fourth year, but substantially less than that amount.

6. Chinchilla breeding stock purchased from respondents is not unconditionally guaranteed to live, breed and litter, but such guaran-

tee as is provided, is subject to numerous terms, limitations and conditions.

7. 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.

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

9. Respondents will seldom, if ever, purchase any or all chinchilla offspring raised by purchasers of respondents' breeding stock without distinction as to the quality or condition of such offspring for \$40 per mixed pair of standard chinchilla.

10. Purchasers of respondents' chinchilla 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.

11. Respondents do not have a medical staff to aid purchasers of respondents' chinchilla breeding stock in the care and maintenance of said animals.

12. Bank financing for the purchase of respondents' chinchilla breeding stock is not available because financial institutions recognize the great potential of the chinchilla business, but because the bank will be paid off the balance of delinquent chinchilla purchasers by respondents.

13. Purchasers of respondents' chinchilla breeding stock cannot return their purchases at any time for a complete or partial refund from respondents.

14. Respondents' refusal to reveal the names of their customers to prospective purchasers of respondents' chinchilla breeding stock is not because such disclosures might induce the theft of the chinchilla breeding stock.

15. Respondents' chinchilla breeding stock is not of top quality as rated by a worldwide fur grading system.

16. The fact that purchasers of respondents' chinchilla breeding stock can obtain said breeding stock for a downpayment of \$600 fails to make the disclosures as required under the Truth in Lending Act (P.L. 90-321; 82 Stat. 146 *et seq.*) and the Act's implementing Regulation Z (12 CFR 226) in the manner and form prescribed therein.

17. Respondents solicit and consummate sales of their chinchilla breeding stock to anyone without prerequisite qualifications by the prospective purchasers.

18. Chinchillas are not hardy animals and are susceptible to ailments.

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 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 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

The Commission having thereafter considered the matter and hav-

ing 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 such agreement on the public record for a period of thirty (30) days, not 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 Chinchilla Associates of America, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of North Carolina, with its principal office and place of business located at 2902 North Main Street in High Point, North Carolina.

Respondent Roy Lee Morris is an individual and officer of said corporation. He formulates, directs and controls the policies of said corporation, including the acts and practices under investigation. His address is the same as that of the corporate respondent.

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 Associates of America, Inc., a corporation, and The House Of Dizel, a division of said corporation, trading and doing business under any other name or names, and its officers, and Roy Lee Morris, 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, spare rooms, or garages, 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 ex-

perience in the breeding, caring for and raising of such animals.

3. Each female chinchilla purchased from respondents and each female offspring will usually litter successively several times annually producing one to five offspring per litter, or an average of four offspring annually.

4. 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.

5. Offspring of respondents' chinchilla breeding stock sell for as much as \$65 and will have pelts that sell for an average of \$20 per pelt; or that pelts from the offspring of respondents' breeding stock generally sell from \$5 to \$65 each.

6. 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 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.

7. A purchaser starting with five females and one male of respondents' chinchilla breeding stock will have a yearly income of \$10,000 to \$12,000 in the fourth year from the sale of their pelts.

8. Purchasers of respondents' chinchilla 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 in-

come represented are those of a substantial number of purchasers and accurately reflect the average earnings, profits or income of those purchasers under circumstances similar to those of the purchaser to whom the representation is made.

9. Chinchilla 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.

10. Respondents' chinchillas are guaranteed unless respondents do in fact promptly fulfill all 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.

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

12. Respondents will purchase all or any offspring raised by purchasers of respondents' chinchilla breeding stock for \$40 per mixed pair of standard chinchillas or any other prices unless respondents do in fact purchase all of the offspring offered by said purchasers at the prices and on the terms and conditions represented.

13. 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.

14. Respondents have a medical staff to assist purchasers of respondents' chinchilla breeding stock in the care and maintenance of said animals.

15. Bank financing for the purchase of respondents' chinchilla breeding stock is available because financial institutions recognize the great potential of the chinchilla business.

16. Purchasers of respondents' chinchilla breeding stock can, if dissatisfied, return said animals to respondents after one year for a complete refund from respondents.

17. Respondents will not reveal to prospective purchasers

of respondents' chinchilla breeding stock the names of past purchasers of respondents' breeding stock because said chinchilla breeding stock is of such precious value that such a disclosure might cause the theft of the chinchilla breeding stock.

18. Respondents' chinchilla breeding stock is of top quality as rated by a worldwide fur grading system.

19. Only a limited number of applicants are qualified to purchase respondents' chinchilla breeding stock.

20. Chinchillas are hardy animals or are not susceptible to ailments.

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 reproduction capacity of any chinchilla breeding stock.

C. 1. Purchasers of respondents' chinchilla breeding stock can obtain said animals for a downpayment of \$600.

2. Failing to make any of the disclosures required in the Truth in Lending Act (P.L. 90-321; 82 Stat. 146, *et seq.*) and the Act's implementing Regulation Z (12 CFR 226) in the manner and form prescribed therein.

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 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 will 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.

Complaint

IN THE MATTER OF

STANDARD REFERENCE LIBRARY, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION ACT*Docket C-1771. Complaint, July 17, 1970—Decision, July 17, 1970*

Consent order requiring a New York City publisher and distributor of various reference works by mail order to cease mailing reference volumes to persons who have failed to return their previously mailed rejection cards, deceptively pricing its books, and misrepresenting savings available to respondents' customers.

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 Standard Reference Library, Inc., a corporation, and Frank J. Keller, individually and as an officer of said corporation, and Mac Gache, individually and as former officer of Standard Reference Works Publishing Company, Inc., a 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 Standard Reference Library, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 53 East 77th Street, New York, New York.

Respondent Frank J. Keller is an officer of corporate respondent Standard Reference Library, Inc. He formulates, directs and controls the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. He was also an officer of Standard Reference Works Publishing Company, Inc., as hereinafter mentioned.

Standard Reference Works Publishing Company, Inc., was a corporation which was organized, existed and did business under and by virtue of the laws of the State of New York, with its principal office and place of business located at 53 East 77th Street, New York, New York. This corporation was engaged in the business hereinafter described for some time prior to September 9, 1968,