

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.

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IN THE MATTER OF  
AMERICAN CHINCHILLAS, INC., ET AL.

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

*Docket C-1777. Complaint, Aug. 7, 1970—Decision, Aug. 7, 1970*

Consent order requiring a Tacoma, Wash., distributor of chinchilla breeding stock to cease making exaggerated earning claims, misrepresenting the quality of its stock, and misrepresenting its services to its 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 American Chinchillas, Inc., a corporation, and Henry E. Gummeringer and Evelyn Gummeringer, 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 American Chinchillas, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Washington, with its principal office and place of business located at 5424 South Puget Sound Avenue, Tacoma, Washington.

Respondents Henry E. Gummeringer and Evelyn Gummeringer are individuals and officers of American Chinchillas, Inc., and 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 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 to the public.

PAR 3. In the course and conduct of their aforesaid business, respondents now cause, for some time last past have caused, their said chinchillas, when sold, to be shipped from their place of business in the State of Washington 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 broadcasts, direct mail advertising, 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' television and radio broadcasts and promotional literature, are the following:

These gentle little fellows are Chinchillas. They can make you money just as they are making money for people that are now raising them. . . . They are easily cared for and being odorless can be raised in the basement, garage or spare room. . . . Demand for top quality Chinchilla pelts far exceeds the supply. That is why we need more breeders to produce more pelts to a market that is growing every year. Make Chinchillas your future. . . . Most people who have started out with us have had no experience with Chinchillas whatsoever, but with our advisory and marketing services, they are meeting with success. Remember, Chinchillas can be a tremendous continuing earning power in your future.

There are many people that have started out in spare rooms in their houses, garages even in their dens. Some people at this writing are taking from \$4,000 to \$7,000 out of their basements.

Is experience necessary in order to succeed? People who have purchased Chinchillas from us in the past have had no experience with Chinchillas. Those who have taken advantage of our advisory service are meeting with success.

If we buy Chinchillas, does your interest continue in my welfare?

To purchasers of our breeding stock, we offer a complete advisory service.

Statistics establish that Chinchillas are hardy and that farm mortality is low.

Top quality—every adult pair of American Chinchillas is graded by a

prominent fur judge and assigned a grading certificate, and a pedigree record.

Although reproductive performance differs among various herds, it is not uncommon for normal healthy Chinchillas to produce two litters a year with an average of two babies a litter.

What is the gestation period?

Usually 111 days, making three litters a year possible, but on the average two litters.

What is the size of a litter?

Average about two; but can be from one to five.

Is the pioneer stage passed?

The pioneering has been done and it is now on a profitable basis.

Chinchilla breeding can be a very profitable business and a very good hobby. Persons of sound business judgment will easily recognize this potential when considering the facts.

Can Chinchillas be a sound investment?

We feel that there is no other known industry which would show such tremendous and continued earning power with equal maximum of safety than raising Chinchillas of a superior quality and under the proper management. We consider Chinchilla farming as safe or safer, and far more profitable, when properly conducted, than most investments or other lines of business.

Educational assistance. American Chinchillas, Inc. furnishes you with a complete manual, special bulletins on the latest methods of ranching. Monthly meetings where you will be taught by well experienced ranchers. Service calls on your ranch. This know how is the most valuable future of the American Chinchilla Program. It insures your future success.

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We are proud to state that to our knowledge no customer of ours can fail if he follows our advice and our 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 oral statements and representations to prospective purchasers, respondents have represented, and are now representing, in sales promotions, 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 garages, 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 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 \$60 each.

8. A purchaser starting with three females and one male of respondents' chinchilla breeding stock will have an annual income of \$5,000 to \$10,000 from the sale of pelts after the fifth year.

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

10. Respondents will buy all pelts of offspring of chinchillas purchased from them.

11. Respondents breed and develop their own chinchilla breeding stock.

12. 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 or garages, 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 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 \$60 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 three females and one male of respondents' breeding stock will not have an annual income of \$5,000 to \$10,000 from the sale of pelts after the fifth year but substantially less than that amount.

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

10. Respondents do not buy all pelts of offspring of chinchillas purchased from them.

11. Respondents do not breed and develop their own breeding stock but obtain such animals from others for resale.

12. 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.

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 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 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 American Chinchillas, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Washington, with its office and principal place of business located at 5424 South Puget Sound Avenue, Tacoma, Washington.

Respondents Henry E. Gummeringer and Evelyn Gummeringer are individuals and officers of American Chinchillas, Inc., and they formulate, direct and control the acts and practices of said corporation, including the acts and practices hereinafter set forth. Their address is the same as that of said corporation.

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 American Chinchillas, Inc., a corporation, and its officers, and Henry E. Gummeringer and Evelyn Gummeringer, 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, 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 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 any other grade or quality of chinchillas unless such purchasers receive animals of the represented grade or quality.

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 which will be 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 which will be 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 \$30 per pelt; or that pelts from the offspring of respondents' breeding stock generally sell from \$25 to \$60 each.

10. Chinchilla pelts which will be 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 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 of respondents' breeding stock will have, from the sale of pelts, a net profit or earnings of \$5,000 to \$10,000 after the fifth year.

12. Purchasers of respondents' breeding stock will realize future 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.

13. 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.

14. Respondents will buy all pelts of offspring of chinchillas purchased from them.

15. Respondents breed and develop their own chinchilla breeding stock or misrepresenting, in any manner, the origin or source of products sold by them.

16. 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, 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.

Complaint

77 F.T.C.

IN THE MATTER OF

GERALD WHITE

DOING BUSINESS AS

PILGRIM FINANCIAL SERVICE

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

*Docket C-1778. Complaint, Aug. 11, 1970—Decision, Aug. 11, 1970*

Consent order requiring a Lawrence, Mass., respondent engaged in the business of operating a collection agency to cease using various debt collection forms, using an envelope which has a Washington, D.C., return address, and misrepresenting that legal action will be taken against debtors.

## 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 Gerald White, an individual doing business as Pilgrim Financial Service, hereinafter referred to as respondent, has 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 Gerald White is an individual doing business as Pilgrim Financial Service. The office and principal place of business of Pilgrim Financial Service is located at 125 South Broadway, Lawrence, Massachusetts.

PAR. 2. Respondent is now, and for some time past has been, engaged in the business of operating a collection agency.

PAR. 3. Respondent solicits and receives accounts for collection from business and professional people. In the course and conduct of his business, respondent has engaged, and is now engaged, in commercial intercourse, in commerce, among and between various States of the United States, including the transmission and receipt of monies, checks, collection letters and forms, contracts, and other written instruments. In carrying out his aforesaid collection business, respondent maintains, and at all times mentioned herein has main-