

Complaint

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IN THE MATTER OF

T & T CHINCHILLA, INC., ET AL.

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

Docket C-1791. Complaint, Sept. 3, 1970—Decision, Sept. 3, 1970

Consent order requiring a Council Bluffs, Iowa, distributor of chinchilla breeding stock to cease making exaggerated earning claims, misrepresenting the quality of its stock, deceptively guaranteeing the fertility of its stock, claiming that it has the approval of any governmental agency, 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 T & T Chinchilla, Inc., a corporation, and Norman E. Taylor, 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 T & T Chinchilla, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Iowa, with its principal office and place of business located at 16 Hillsdale Drive, Council Bluffs, Iowa. Its office and place of business were formerly located at 253 Elliott Street, Council Bluffs, Iowa.

Respondent Norman E. Taylor is an individual and officer of said corporation. He formulated, directed and controlled the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. His address is the same as that of the corporation.

PAR. 2. Respondents were 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 caused their said chinchillas, when sold, to be shipped from their place of business in the State of Iowa, to purchasers thereof located in various other States of the United States and at all times mentioned herein maintained a substantial course of trade in com-

merce 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 such chinchilla breeding stock, respondents made numerous statements and representations by means of television, in direct mail advertising and through 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, prices expected from the sale of their pelts, the potential income from raising such animals and the training assistance to be made available to purchasers.

Typical and illustrative of said statements and representations, but not all inclusive thereof, were the following:

Put yourself in "the profit" picture Now!

More and more people with little experience, are making full time money in part time Chinchilla raising.

Chinchillas are easy and inexpensive to breed and raise. . . .

Little space is required—basements, back rooms or special buildings.

Q. What kind of experience do I need to raise chinchillas?

A. None! A little common sense and our assistance in methods and supervision during your initial few months.

We have top quality stock available.

Conservatively speaking, our estimation of herd growth is based on three offspring per year, per fertile female, totaling 21 young at the end of a year from a polygamous herd of eight. There is no reason why a beginning rancher could not equal or surpass a herd of nearly 100 animals at the end of three years, and continually expand from there.

T & T EDUCATIONAL AND INVESTMENT PLAN

Starting with Seven (7) Females and One (1) Male Chinchilla. Estimating three (3) Babies per Female per year. Allowing Six Months consolidation or grace period.

Allowing 10% for replacement and taking advantage of the T & T purchasing agreement, your potential is as follows:

* * * * *

"AA" STRING

Total number of animals to be sold to T & T Chinchilla Ranch, Inc. at the end of FIVE YEARS, Your Potential:

		8 weeks	6 months
288 Males.....	8 weeks old at \$15.00.....	\$4,320	
	6 months old at \$25.00.....		\$7,200
191 Females.....	8 weeks old at \$27.50.....	5,252.50	
	6 months old at \$37.50.....		7,162.50
Total.....		9,572.50	14,362.50

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DOUBLE MIXED STRING

Total number of animals to be sold to T & T Chinchilla Ranch at the end of FIVE YEARS Your Potential:

		8 weeks	6 months
288 Males.....	8 weeks old at \$5.00.....	\$1,440.00	
	6 months old at \$15.00.....		\$4,320.00
191 Females.....	8 weeks old at \$10.00.....	1,910.00	
	6 months old at \$20.00.....		3,820.00
Total.....		3,350.00	8,140.00

T & T Chinchilla Ranch can offer the capabilities of nearly a century's experience in the fur industries to assist you in initiating your beginning herd.

Our consultation service—already used by many well established ranchers—is available to you. Ten years actual experience in raising the animals is your warranty of success.

Q. What does T & T Ranch offer that I can't find from other ranchers advertising animals for sale?

A. Established business respect through banks, credit bureaus, the FTC [regulatory agencies] the New York Auction and other markets as well as businesses wherever T & T operates.

Our garment division . . . creators of Taylor Royal Furs . . . sells these garments almost as fast as we make them . . . The demand is there as it's been since the 16th century. Only the supply is limited. That's why we need more ranchers.

And T & T has its own garment division . . . creating a ready-market for the pelts produced by our associate breeders.

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, and through the oral statements and representations made in sale representations to purchasers, respondents 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, garages, or spare buildings, and large profits can be made in this manner.

2. The breeding of chinchillas from breeding stock purchased from respondents, is a commercially profitable enterprise, and requires no previous experience in the breeding, caring for and raising of such animals.

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

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

5. Each female chinchilla purchased from respondents and each

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female offspring will produce two to three litters per year averaging one to four offspring per litter.

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

7. The offspring referred to in subparagraphs 5 and 6 above will produce pelts selling for an average price of \$20 to \$25 per pelt.

8. A purchaser starting with seven females and one male of respondents' chinchilla breeding stock under their "T & T Educational and Investment Plan" will have income at the end of five years ranging from \$8,140 on the basis of their "Double Mixed String" quality to \$14,362.50 on the basis of their "AA String" quality breeding stock.

9. Respondent guarantees that the buyer's female herd will double within 18 months.

10. Purchasers of respondents' breeding stock will receive service calls from respondents' service personnel on a monthly, or more frequent basis.

11. Respondents have owned and operated a successful fur garment manufacturing facility providing a ready market for pelts produced by purchasers of their chinchillas.

12. Respondents' business operation has the approval of the Federal Trade Commission or other governmental regulatory agencies.

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, 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 top quality.

5. Each female chinchilla purchased from respondents and each female offspring will not produce two or three litters per year averaging one to four live offspring per litter, but generally less than that number.

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

7. The offspring referred to in subparagraphs 5 and 6 of Paragraph Five above will not produce pelts selling for an average price of \$20 to \$25 per pelt but substantially less than that amount.

8. A purchaser starting with seven females and one male of respondents' chinchilla breeding stock under their "T & T Educational and Investment Plan" will not have income at the end of five years ranging from \$8,140 on the basis of their "Double Mixed String" quality to \$14,362.50 on the basis of their "'AA' String" quality breeding stock but substantially less than those amounts or range of amounts.

9. Chinchilla breeding stock purchased from respondents is not unconditionally guaranteed to double within 18 months but such guarantee is subject to numerous terms, limitations and conditions.

10. Purchasers of respondents' breeding stock have not received service calls from respondents' service personnel on a monthly or more frequent basis, but less than that number.

11. Respondents have not owned and operated a fur garment manufacturing facility providing a ready market for pelts produced by purchasers of their chinchillas.

12. Respondents' business operation does not have the approval of the Federal Trade Commission or other governmental regulatory agencies.

Therefore, the statements and representations as set forth in Paragraphs Four and Five hereof were false, misleading and deceptive.

PAR. 7. In the course and conduct of their business, and at all times mentioned herein, respondents were 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 the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were 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 all to the prejudice and injury of the public and of respondents' competitors and constituted 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 complaints, makes the following jurisdictional findings, and enters the following order:

1. Respondent T & T Chinchilla, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Iowa, with its principal office and place of business located at 13 Hillsdale Drive, Council Bluffs, Iowa. Its office and place of business were formerly located at 253 Elliott Street, Council Bluffs, Iowa.

Respondent Norman E. Taylor is an officer of said corporation. He formulated, directed and controlled the acts and practices of said corporation, including the acts and practices being investigated. His address is the same as that of the 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 T & T Chinchilla, Inc., a corporation, and its officers, and Norman E. Taylor, 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 top quality chinchillas or any other quality or grade of chinchillas unless purchasers receive animals of the quality or grade represented.

5. Each female chinchilla purchased from respondents and each female offspring will produce two to three litters per year averaging one to four offspring per litter.

6. 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.

7. Each female chinchilla purchased from respondents and each female offspring will produce at least three live young per year.

8. 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.

9. Pelts from the offspring of respondents' chinchilla breeding stock sell for an average price of \$20 to \$25 per pelt.

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 seven females and one male of respondents' chinchilla breeding stock under their "T & T Educational and Investment Plan" will have income at the end of five years ranging from \$8,140 on the basis of their "Double Mixed String" quality to \$14,362.50 on the basis of their "AA' String" quality breeding stock.

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

15. Respondents own and operate a successful fur garment manufacturing facility providing a ready market for pelts produced by purchasers of their chinchillas.

16. Respondents' business operation has the approval of the Federal Trade Commission or other governmental regulatory agencies.

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

C. Misrepresenting, in any manner, the earnings or profits of purchasers of respondents' chinchilla breeding stock.

D. Misrepresenting, in any manner, the approval of respondents' business or business practices by banks, credit bureaus, the New York Auction or by any other organization, agency or business establishment.

E. 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 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.

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IN THE MATTER OF

JERWIN, INC., DOING BUSINESS AS
JERWIN MOTORS, ETC.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
TRUTH IN LENDING AND THE FEDERAL TRADE COMMISSION ACTS

Docket C-1792. Complaint Sept. 8, 1970—Decision, Sept. 8, 1970

Consent order requiring three affiliated Atlanta, Ga., dealers in used automobiles to cease violating the Truth in Lending Act by failing to state in terminology prescribed by Regulation Z the cash price of their cars, the amount of the downpayment, the number, amount and due date of scheduled payments, the annual percentage rates of the finance charge, and the deferred payment price.

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 Jerwin, Inc., a corporation, trading and doing business as Jerwin Motors, and University Motor Co., Inc., a corporation, trading and doing business as University Motors, and Capital Discount, Inc., a corporation, and Jerry G. Greenway and Winston W. Massengale, individually and as officers of said corporations, 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 Jerwin, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Georgia, with its principal office and place of business located at 1156 Memorial Drive, SE., Atlanta, Georgia. Jerwin, Inc., is trading and doing business as Jerwin Motors at the same address of the corporate respondent.

Respondent University Motor Co., Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Georgia, with its principal office and place of business located at 1202 Stewart Avenue, SW., Atlanta, Georgia. University Motor Co., Inc., is trading and doing business as University Motors at the same address as the corporate respondent.