

# CROWN CHINCHILLA ASSOCIATES, ET AL.

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

*Docket C-1847. Complaint, Jan. 8, 1971—Decision, Jan. 8, 1971*

Consent order requiring a Salina, Kans., partnership engaged in selling and distributing chinchilla breeding stock to cease making exaggerated earning claims, misrepresenting that it is feasible to breed chinchilla stock in garages and basements, that their animals are hardy and not susceptible to diseases, and misrepresenting the fertility of their stock and their 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 Crown Chinchilla Associates, a partnership, and James D. Herman and Jerry Skinner, individually and as copartners trading and doing business as Crown Chinchilla Associates, 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 Crown Chinchilla Associates is a partnership comprised of the following named individuals who formulate, direct and control the acts and practices hereinafter set forth. The principal office and place of business of said partnership is located at 1200 West Crawford, Salina, Kansas.

Respondents James D. Herman and Jerry Skinner are individuals and copartners trading and doing business as Crown Chinchilla Associates, with their principal office and place of business located at the above-stated address.

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

PAR. 3. In the course and conduct of their aforesaid business, respondents now cause, and for some time last past have caused, their said chinchillas, when sold, to be shipped from their place of business in the State of Kansas 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 business and for the purpose of inducing the sale of their chinchillas, the respondents have made, and are now making, numerous statements and representations in direct mail advertising and through the oral statements and display of promotional material to prospective purchasers by salesmen, with respect to the breeding of chinchillas in the home for profit without previous experience, the rate of reproduction of said animals, the expected income from the sale of their pelts and their hardiness and freedom from disease.

Typical and illustrative of the statements made in respondents' direct mail advertising and promotional literature, but not all inclusive thereof, are the following:

95% of all ranchers beginning operation use their own homes.

Any room of your house, such as spare room, enclosed porch, garage or base-

ment will do for a start the first few years.

Chinchillas are odor free—can be raised indoors in a spare bedroom or garage.

They can produce litters every 111 days. Litters vary from 1 to 5.

#### THE MARKET DEMAND IS GROWING!

Quality pelts bring from up to \$60 cash on today's market, and the demand for pelts increases every year! We market your pelts—or—live production. Chinchilla pelts are in constant short supply—which means a consistent, increasing market demand. 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.

#### GUARANTEED PRODUCTION A GUARANTEED MARKET NO COMPETITION

Fun and Profit for the whole family . . . Raising Chinchillas.

One male and six females are recommended to start a money-making herd. These animals will produce an estimated 150% gain each year, in other words from a start of seven animals in a five year period you should have up to 250 breeding chinchillas. Using this illustration it is possible you can produce 550 offspring per year. Industry figures indicate you should *net* \$10.00 or more per pelt.

The Crown complete program includes personal visits to your ranch for help and supervision. . . .

We urge you to join the hundreds of other successful Crown Chinchilla Ranchers.

We place a herd of 6 females and one male with a rancher. This person, through proper care, diet and up breeding, can develop this into a business that will net him a yearly income of \$6,000—\$8,000 or more.

PAR. 5. By and through the use of said statements and representations made by respondents in their advertising and promotional material and in oral representations made by their salesmen, and others of similar import and meaning, but not expressly set out herein, respondents represent, directly or indirectly, that:

1. It is commercially feasible to breed and raise chinchillas from breeding stock purchased from respondents in spare rooms, enclosed porches, garages or basements 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, raising, and caring for such animals.

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

4. Each female chinchilla purchased from respondents, and each female offspring will average at least two litters per year with an average of at least two offspring per litter.

5. Through the assistance and advice furnished to purchasers of respondents' breeding stock, purchasers are able to successfully breed and raise chinchillas as a commercially profitable enterprise.

6. The pelts from the offspring of respondents' breeding stock sell for an average price of \$30 per pelt.

7. There is a great demand for pelts of offspring of chinchilla breeding stock purchased from respondents.

8. A purchaser starting with six females and one male of respondents' breeding stock will recover his original investment in three years and earn at least \$5,000 per year after five years of operation.

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 spare rooms, enclosed porches, garages or basements 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, raising and care of said animals much of which must be acquired through actual experience.

3. Chinchillas are not hardy animals and are susceptible to pneumonia and various other diseases.

4. Each female chinchilla purchased from respondents and each female offspring will not produce an average of at least two litters each year nor an average of at least two offspring per litter, but generally less than that number, since respondents' figures do not allow for factors which reduce chinchilla production such as stillbirths, those that die after birth, culls unfit for breeding, fur chewers and sterile animals.

5. 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.

6. The pelts from offspring of respondents' chinchilla breeding stock could not expect to receive an average price per pelt of \$30, but substantially less than that amount.

7. There is not a great demand for the offspring nor for pelts of offspring of chinchilla breeding stock purchased from respondents.

8. A purchaser of six females and one male of respondents' chinchilla breeding stock cannot reasonably expect to recover his investment in three years nor earn profits of at least \$5,000 per year after five years of operation but substantially less than those amounts.

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.

PAR. 8. The use by respondents of the aforesaid false, misleading and deceptive statements, representations and practices has had, and now has, the tendency and capacity 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 Consumer Protection 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 Crown Chinchilla Associates is a partnership comprised of the following named individuals who formulate, direct and control the acts and practices hereinafter set forth. The principal office and place of business of said partnership is located at 1200 West Crawford, Salina, Kansas.

Respondents James D. Herman and Jerry Skinner are individuals and copartners trading and doing business as Crown Chinchilla Associates, with their principal office and place of business located at the above-stated address.

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 Crown Chinchilla Associates, a partnership, and James D. Herman and Jerry Skinner, individually and as copartners trading and doing business as Crown Chinchilla Associates, or under any other name or names, 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 spare rooms, enclosed porches, garages or basements 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 and that large profits can be made in this manner.

2. Breeding chinchillas as a commercially profitable enterprise can be achieved without knowledge or experience in the breeding, raising and care of such animals.

3. Chinchillas are hardy animals or are not susceptible to disease.

4. Each female chinchilla purchased from respondents and each female offspring will average at least two litters per year with an average of at least two offspring per litter.

5. The number of litters or 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 of purchasers of respondents' breeding stock unless, in fact, the past number or range of numbers represented are those of a substantial number of purchasers and accurately reflect the number or range of numbers of live offspring produced per female chinchilla of these purchasers under circumstances similar to those of the purchaser to whom the representation is made.

6. 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.

7. Pelts from the offspring of respondents' chinchilla breeding stock sell for an average price of \$30 per pelt.

8. 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.

9. 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.

10. A purchaser starting with six females and one male of respondents' breeding stock will recover his original in-

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vestment in three years and earn at least \$5,000 per year after five years of operation.

11. Purchasers of respondents' breeding stock will realize earnings, profits, or income in any amount or range of amounts; or representing, in any manner, the past earnings, profits or income of purchasers of respondents' breeding stock unless, in fact, the past earnings, profits or income represented are those of a substantial number of purchasers and accurately reflect the average earnings, profits or income of these purchasers under circumstances similar to those of the purchaser to whom the representation is made.

B. Misrepresenting in any manner the earnings or profits to purchasers 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 respondents' products or services, and failing to secure from each such individual a signed statement acknowledging receipt of said order.

*It is further ordered,* That the respondent partnership 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 partnership such as dissolution, assignment or sale resulting in the emergence of a successor partnership, the creation or dissolution of subsidiaries or any other change in the partnership 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

SIDLIS SALES CORPORATION, ET AL.

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

*Docket C-184S. Complaint, Jan. 13, 1971—Decision, Jan. 13, 1971*

Consent order requiring a District Heights, Md., seller and distributor of electronic products and household furnishings to cease using the words "Sale"