

Complaint

75 F.T.C.

ORDER GRANTING MOTION TO DISMISS BY RESPONDENTS  
HENRY S. CLAY, JR. AND ROBERT E. LATHAM

For the reasons stated in the accompanying opinion,  
*It is ordered*, That the motion to dismiss of December 2, 1968,  
filed by and on behalf of respondents Henry S. Clay, Jr., and  
Robert E. Latham, be granted;

*It is further ordered*, That the complaint in this proceeding  
be, and it hereby is, dismissed with respect to all respondents.

By the Commission, with Commissioner MacIntyre not partic-  
ipating.

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IN THE MATTER OF

ASSOCIATED CHINCHILLA SERVICES OF NEW  
ENGLAND, INC., DOING BUSINESS AS CHINCHILLA  
PRODUCERS ASSOCIATION, ET AL.

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

*Docket C-1488. Complaint, Jan. 31, 1969—Decision, Jan. 31, 1969*

Consent order requiring a Hartford, Conn., seller of chinchilla breeding  
stock to cease making exaggerated earning claims, misrepresenting the  
quality of its stock, deceptively guaranteeing the fertility of its stock,  
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  
Associated Chinchilla Services of New England, Inc., a corpora-  
tion, formerly doing business under its own name and now  
doing business as Chinchilla Producers Association, and John  
O. Lindgren, Billie J. Lindgren and Troy R. Loun, Jr., individ-  
ually and as officers and directors of said corporation, herein-  
after referred to as respondents, have violated the provisions  
of said Act, and it appearing to the Commission that a pro-  
ceeding 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 Associated Chinchilla Services of New England, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Connecticut, with its principal office and place of business located at 111 Pearl Street, Suite 718, Hartford, Connecticut 06103.

Respondents John O. Lindgren, Billie J. Lindgren and Troy R. Loun, Jr., are officers and directors of said corporate respondent and formulate, direct and control its acts and practices, including the acts and practices hereinafter set forth. The address of respondents John O. Lindgren and Billie J. Lindgren is the same as that of the corporate respondent. The address of respondent Troy R. Loun, Jr., is 111 Pinewoods Road, Granby, Connecticut 06035.

Respondent John O. Lindgren, from January 1966 to September 1966, traded and did business as The Chinchilla Guild of America, New England Division. His principal office and place of business was located at 111 Pearl Street, Suite 718, Hartford, Connecticut. In September 1966, respondent John O. Lindgren and respondents Billie J. Lindgren and Troy R. Loun, Jr., organized and incorporated said Associated Chinchilla Services of New England, Inc. From September 1966 to April 1967, the corporate respondent did business under its own name. Since April 1967, the corporate respondent has been doing business as Chinchilla Producers Association.

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 Connecticut 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, respondents make numerous statements and representations in direct mail advertising in newspaper and magazine advertising, and through the oral statements and display of promotional material to prospective purchasers by their salesmen, with respect to the

Complaint

75 F.T.C.

breeding of chinchillas for profit without previous experience, the rate of reproduction of said animals, the expected return from the sale of their pelts, the market value of said animals as breeding stock, their quality, their warranty, and the training assistance to be made available to purchasers.

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

YOU CAN BE A  
CHINCHILLA RANCHER  
RIGHT WHERE YOU LIVE

And enjoy a substantial income for retirement, college financing or a higher standard of living.

WE PROVIDE exclusively

- Thorough training.
- Professional guidance, counseling, inspection.
- Pelting, priming, marketing.
- GUARANTEED ANIMALS.

YOU PROVIDE:

- A love for animals.
- A little spare time.
- A spare room, garage or small building.

You invest \$2,100 or more \* \* \* .

\* \* \* \* \*

RAISE CHINCHILLAS FOR PROFIT!

A small investment can grow into a substantial return. Your potential earnings are several thousand dollars annually.

\* \* \* \* \*

Chinchillas can be raised anywhere. In a spare room, basement or garage.

\* \* \* \* \*

Gentlemen: Please send me (without obligation) information on The Guild's method of chinchilla production.

I am interested in additional annual income of (Check one)

\$2,500     \$5,000     \$7,500     \$10,000     \$15,000

\* \* \* \* \*

Every name on this page sold chinchilla pelts for \$28 to \$61 last month. Are you on this list? These are some of our ranchers.

\* \* \* \* \*

Chinchilla ranchers are earning thousands of dollars a year IN THEIR SPARE TIME. Turn extra room into income for Education, Travel, Retirement.

\* \* \* \* \*

Guild Breeders are warranted to live 3 years, and reproduce.

*Professional Assistance* from well-trained Ranch Inspectors assures success, even if you have no experience.

*Profit is High* \* \* \* The demand for pelts increases every year.

\* \* \* \* \*

The average value of the white pelts that are in New York now is just a hair over \$200.00.

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 sales presentations to purchasers, respondents represent and 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 rooms 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 breeding, raising and caring for such animals.

3. Each female chinchilla purchased from respondents and each female offspring will produce several successive litters of from one to four live offspring at 111-day intervals.

4. All of the offspring referred to in Paragraph Five (3) 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 \$28 to \$61 each.

5. Chinchillas sold by respondents are high quality or "Empress Certified" quality breeding stock.

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

7. A purchaser starting with three females and one male of respondents' chinchillas will have an annual income of \$5,250 a year from the sale of pelts at the end of the fifth year.

8. Chinchilla breeding stock purchased from respondents is unconditionally warranted to live three years and within 18 month reproduce a number of offspring equal to the number of animals originally purchased.

9. Breeding chinchillas by mated pairs produces more offspring of better quality than using one male to breed several females, called polygamous breeding.

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

11. Chinchillas are hardy animals and are not susceptible to diseases.

12. Chinchilla mutation breeding stock has a market value of \$350 each and the pelts of the offspring of chinchilla mutations having a white, silver or beige color, generally sell for \$80 to \$200 each.

13. Purchasers of respondents' chinchilla breeding stock will receive professional assistance or guidance in the care and breeding of chinchillas from well-trained ranch inspectors.

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

15. A purchaser investing \$2,500 in respondents' chinchillas will make \$10,500 a year in net profits five years after the purchase of respondents' chinchillas.

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 rooms 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 of chinchillas on a commercial basis.

2. The breeding of chinchillas from breeding stock purchased from respondents as a profitable commercial enterprise requires specialized knowledge in the breeding, raising and caring 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 produce several successive litters of from one to four live offspring at 111-day intervals, but generally less than that number.

4. All of the offspring referred to in subparagraph (4) 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 \$28 to \$61 each since some of the pelts are not marketable at all and others would not sell for \$28 but substantially less than that amount.

5. Chinchillas sold by respondents are not high quality or "Empress Certified" quality breeding stock.

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

7. A purchaser starting with three females and one male of respondents' breeding stock will not have an annual income of \$5,250 from the sale of pelts at the end of the fifth year, but substantially less than that amount.

8. Chinchilla breeding stock purchased from respondents is not unconditionally warranted to live three years and within 18 months reproduce a number of offspring equal to the number of animals originally purchased; but such guarantee as is provided is subject to numerous terms, limitations and conditions.

9. Breeding chinchillas by mated pairs does not produce more offspring or offspring of better quality than the polygamous breeding method.

10. Respondents doing business as Chinchilla Producers Association have not been in the chinchilla business for more than 13 years. They have been doing business under this name for less than two years.

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

12. Chinchilla mutation breeding stock does not have a market value of \$350 each but substantially less than that amount, and the pelts of the offspring of chinchilla mutations having a white, silver, or beige color do not generally sell for \$80 to \$200 each. Such pelts have seldom, if ever, been sold and when sold have brought substantially less than those amounts.

13. Purchasers of respondents' chinchilla breeding stock do not receive professional assistance or guidance in the care and breeding of chinchillas from well-trained ranch inspectors. Many of respondents' inspectors have little, if any, training in the care and breeding of chinchillas and are not competent to advise or assist purchasers in the care and breeding of chinchillas.

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

15. A purchaser investing \$2,500 in respondents' chinchillas will not make \$10,500 a year in net profits five years after the purchase of respondents' chinchillas. Such purchasers can make little, if any, profit five years after said purchase.

Therefore, the statements and representations as set forth in Paragraph 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.

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 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

