

Complaint

66 F.T.C.

that respondents' business is that of an independent organization engaged in the business of collecting delinquent accounts;

(2) Representing, directly or by implication, that accounts not referred to an independent organization engaged in collecting delinquent accounts have been so referred, or otherwise representing, directly or by implication, that any action not taken to effect the collection of delinquent accounts has been taken;

(3) Using letters, forms, questionnaires or other items of printed or written matter in connection with obtaining information concerning delinquent debtors which do not clearly reveal that the purpose for which the information is sought is that of obtaining information concerning delinquent debtors.

*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

CHINCHILLA RANCHERS, INC., ET AL.

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

*Docket C-820. Complaint, Aug. 27, 1964—Decision, Aug. 27, 1964*

Consent order requiring two Evansville, Wisc., sellers of chinchilla breeding stock to cease making exaggerated earning claims, misrepresenting the quality of their stock, deceptively guaranteeing the fertility of their stock, and misrepresenting 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 Chinchilla Ranchers, Inc., a corporation, and Marie Roberts, individually and as an officer of said corporation, and National Chinchilla Ranches, Inc., a corporation, and Keith E. Meixell, 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 Chinchilla Ranchers, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Wisconsin, with its principal office and place of business located at Route 1, Evansville, Wisconsin.

Respondent Marie Roberts is an individual and is an officer of Chinchilla Ranchers, Inc., and its sole stockholder. She formulates, directs and controls the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. Her address is the same as that of the corporate respondent.

Respondent National Chinchilla Ranches, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Indiana, with its principal office and place of business located at Route 1, Evansville, Wisconsin.

Respondent Keith E. Meixell is an individual and is an officer of National Chinchilla Ranches, Inc. He, together with Marie Roberts, formulates, directs and controls 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 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 businesses, 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 Wisconsin 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 commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their aforesaid businesses, 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 in 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, the market value of said animals as breeding stock, their quality, their hardiness and freedom from disease, the selection of producers by area and the limitation of the number of animals sold,

and the training, assistance and organization of breeders to be made available to purchasers by respondents.

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

There is no experience needed in order to succeed.

**FINANCIAL INDEPENDENCE**

**YOU CAN BE YOUR OWN BOSS**—by starting with three (3) mated pair of top quality CHINCHILLAS on our warranted plan, and it would not be unnormal for them in 4 years to produce approximately 50 mated pair of top quality breeding stock. If you'll multiply this by \$25 per pelt it will amount to quite a comfortable annual income.

**THESE ARE CONSERVATIVE FACTS THAT ARE ACTUALLY HAPPENING EVERY DAY!!!**

To purchasers of our breeding stock we offer a complete advisory service, housing, diets, etc., and the benefits of our experience throughout the years.

**WITHOUT OBLIGATION**, your **FREE** illustrated Booklet explaining the facts of the CHINCHILLA industry.

PAR. 5. By and through the use of said statements and representations made by respondents in advertising and promotional literature and in the oral presentations made by their salesmen, respondents represent directly or indirectly that:

1. The breeding of chinchillas for profit requires no previous experience.
2. Chinchillas sold by respondents are top quality breeding stock and have a market value ranging from \$800 to \$3500 a pair.
3. Every mated pair of chinchilla breeding stock offered for sale or sold by respondents will produce 22 pairs of chinchilla breeding stock in three years; that three pairs of chinchillas purchased from respondents will within four years produce at least fifty mated pairs of top quality breeding stock; and that such fifty pairs of chinchillas will produce two hundred or more chinchillas with top quality pelts for the pelting market each year thereafter.
4. Pelts from the offspring of respondents' breeding stock generally sell for \$25 to \$80 per pelt.
5. That the fifty pairs of chinchillas raised from breeding stock purchased from respondents will produce an annual net income of \$5,000 within four years and of \$25,000 within five years.
6. Purchasers of respondents' chinchillas would receive from the sale of offspring as breeding stock from \$150 to \$400 for a single chinchilla or from \$300 to \$800 per pair of chinchillas depending upon the quality of the animals.

7. It is practicable to raise chinchillas in the home and large profits can be made in this manner.

8. Chinchillas are free from disease and are not affected by high temperature and humidity.

9. Respondents will buy offspring from chinchillas purchased from them for pelting and for breeding purposes; and that purchasers would receive from respondents \$25 per animal purchased for pelting and \$150 per animal purchased for breeding.

10. Respondents will buy back chinchillas from persons who are dissatisfied with their purchase.

11. That the Willard H. George Grading System used by respondents is an accepted standard in the chinchilla industry for determining the quality of chinchilla breeding stock; and that score sheets recording the grading of animals under that system are generally accepted by the chinchilla industry as proof of the quality of the chinchillas purchased from respondents.

12. Respondents' chinchilla breeding stock is sold only to a few persons in each county or locality.

13. Purchasers of respondents' breeding stock have been selected to breed chinchillas for resale by respondents.

14. Purchasers of respondents' chinchilla breeding stock by virtue of their purchase would become members of an association of chinchilla breeders under respondents' leadership.

15. Specialized training in the breeding and care of chinchillas would be given to purchasers of respondents' chinchilla breeding stock.

16. Purchasers of respondents' breeding stock would receive the benefit of respondents' experience in breeding chinchillas acquired over the years.

PAR. 6. In truth and in fact:

1. The breeding of chinchillas for profit requires specialized knowledge in the feeding, care and breeding of said animals much of which must be acquired through actual experience.

2. Chinchillas sold by respondents are not top quality breeding stock and do not have a market value ranging from \$800 to \$3,500 a pair.

3. In most cases mated pairs of respondents' chinchillas will not produce 22 pairs of chinchilla breeding stock in three years; and three pairs of chinchillas purchased from respondents will not, in most cases, produce fifty mated pairs of top quality chinchilla breeding stock within four years; and said fifty pairs of offspring will rarely, if ever, produce as many as two hundred top quality pelts each year.

4. A purchaser of respondents' chinchillas could not expect to receive from \$25 to \$80 for each pelt produced since some pelts are not

marketable at all and others would not sell for \$25 but for substantially less than that amount.

5. Fifty pairs of chinchillas raised from respondents' breeding stock will not produce a net annual income of \$5,000 within four years and of \$25,000 within five years.

6. Purchasers of respondents' chinchillas would not receive from the sale of offspring as breeding stock from \$150 to \$400 for a single chinchilla or from \$300 to \$800 for a pair of chinchillas except, perhaps, in a rare or exceptional case.

7. It is not practicable to raise chinchillas in the home and large profits cannot be made by raising chinchillas in such manner.

8. Domesticated chinchillas are susceptible to pneumonia and other diseases and they do not tolerate high temperature and humidity.

9. Respondents will seldom buy offspring from chinchillas purchased from them for breeding or pelting purposes; and in those exceptional instances where such chinchillas are purchased respondents do not pay \$25 for each animal purchased for pelting or \$150 for each animal purchased for breeding.

10. Respondents will not buy back chinchillas from purchasers who are dissatisfied with their purchase.

11. The Willard H. George Grading System is not an accepted standard in the chinchillas industry for determining the quality of chinchilla breeding stock and score sheets recording the grading of animals under that system are not generally accepted by the chinchilla industry as proof of the quality of chinchillas purchased from respondents.

12. Sales of respondents' chinchilla breeding stock is not limited to a few persons in each county or locality.

13. Purchasers of respondents' chinchillas have not been selected to breed chinchillas for resale by respondents.

14. Purchasers of respondents' breeding stock do not become part of an association of chinchilla breeders by virtue of their purchase nor do respondents have such an association under their leadership.

15. Purchasers of respondents' breeding stock are not given specialized training in the care and breeding of chinchillas.

16. Purchasers of respondents' breeding stock do not receive the benefit of respondents' experience in breeding chinchillas.

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, 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. As a consequence thereof, substantial trade in commerce has been, and is being, unfairly diverted to respondents from their competitors and substantial injury has thereby been, and is being, done to competition in commerce.

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 and deceptive acts and practices and unfair methods of competition 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 the respondents that the law has been violated as alleged in such complaint, and waivers and provisions as required by the Commission's rules; and

The Commission, having reason to believe that the respondents have violated the Federal Trade Commission Act, and having determined that complaint should issue stating its charges in that respect, hereby issues its complaint, accepts said agreement, makes the following jurisdictional findings and enters the following order:

1. Respondent Chinchilla Ranchers, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the

