

Syllabus

IN THE MATTER OF

TARPON SPRINGS SPONGE EXCHANGE, INC., ET AL.

COMPLAINT, FINDINGS, AND ORDER IN REGARD TO THE ALLEGED VIOLATION
OF SEC. 5 OF AN ACT OF CONGRESS APPROVED SEPT. 26, 1914

Docket 3024. Complaint, Dec. 29, 1936—Decision, May 18, 1938¹

Where a stockholder membership corporation engaged in maintaining and conducting a sponge exchange for the use and benefit of its stockholder members and such others as might be granted permits in buying, storing, and selling sponges in the community involved, in which (1) over 80 percent of all domestic wool sponges were produced, (2) substantially all such products bought and sold passed through exchange in question, (3) over 90 percent of population was directly dependent upon sponge industry, and (4) the financial situation was precarious because of condition of said industry and community's almost complete dependence thereon; and the active members of said exchange, packers and distributors of sponges, engaged in buying same on said exchange and selling such sponges to wholesale and retail dealers located in the various States and the District of Columbia and in foreign countries, in competition with one another and with others in such sale and distribution, and constituting the source from which the majority of the regularly established wholesale and retail dealers throughout the United States were required to procure wool sponges in order to offer and be able to sell a line thereof produced in the United States, and confronted by a condition in which such packers found themselves greatly overstocked, with their stock heavily mortgaged, collections of outstanding accounts slow, and their financial credit about exhausted—

- (a) Entered into, adopted and carried out a resolution, following a general meeting in said community of all interested parties in the industry to consider, as stated, ways and means in connection with aforesaid problems, under which resolution it was provided that catch of sponges then stored in exchange should be sold promptly by a certain date, and that new catch of wool sponges to be brought in should not be offered for sale for a specified period exceeding 3 months, and that buyers should not be permitted to purchase any such sponges, directly or indirectly, outside of exchange, except for fill-in orders from one buyer to another, and that any buyer violating such agreement should be fined from \$750 to \$2,500, depending on amount bought; and

Where the "boat operators," i. e., individuals, concerns, and corporations engaged in advancing funds and supplies to those actually occupied in sponge fishing expeditions and compensated therefor through receipt of a percentage of the proceeds arising from the sale of the sponges gathered, and the "independent

¹ Findings and order herewith take the place of findings and order made as of January 5, 1938, not published, and vacated by order of even date herewith.

The new findings show the adverse economic conditions existing in the sponge industry at Tarpon Springs at the time respondents engaged in the prohibited practices, and new order, while prohibiting same practices as did old order, has added provision that nothing therein contained shall be construed to conflict in any manner with the provisions of the United States Code concerning commerce and trade in the fishing industry (U. S. Code title 15, ch. 13A, secs. 521 and 522).

Complaint

26 F. T. C.

boat owners" engaged in the business of procuring or fishing sponges from the Gulf of Mexico and storing and selling same at and through the aforesaid exchange, and fully aware of the fact, in the case of both, that sponges brought to and sold through such exchange were, within a reasonable time and in the vast majority of instances, sold, and distributed in commerce between the buyers thereof and customers in the various States, and that the regular channel of commerce in sponges brought to said community was from producer to exchange to packer to buyers and users throughout the United States and the world—

(b) Entered into and adopted a concurrent resolution, under provisions of which they promised not to allow their boats to sell, during aforesaid period, any of their wool sponges, excepting those then stored in exchange and being prepared for sale, and also boats then out and supplied by them; and Where said various individuals and concerns, packers and distributors, and "operators" and "independent boat owners," as above set forth, following adoption of such resolutions and closing of exchange for sale of wool sponges—

(c) Concertedly refused, during period of time thus provided for, to buy or sell such sponges in or through such exchange, though making sales from one packer to another for purpose of filling orders on hand for wool sponges from persons outside the State;

With intent and effect of preventing further decline in and increasing prices of such sponges (assertedly theretofore below cost of production), both on exchange and elsewhere, and with intent of permitting said packers to unload their surplus stocks, collect outstanding accounts, and make adjustments accordingly, and with result that they were able to and did dispose of between 40 and 50 percent of their then stocks, and normal flow of sponges from producer through exchange to consumers in other States, District of Columbia, and in foreign countries was stopped completely during aforesaid period, and price thereof to dealers and public generally was increased, and competition in interstate sale thereof was suppressed and hindered through closing exchange as aforesaid:

Held, That such acts and practices were all to the injury and prejudice of the public and competitors and constituted unfair methods of competition.

Before *Mr. Robert S. Hall*, trial examiner.

Mr. Astor Hogg and *Mr. Karl Stecher* for the Commission.

Mr. William L. Hill, of Washington, D. C., for respondents, along with *Mr. Henry H. Morgan*, of Tarpon Springs, Fla., for Meres Sponge & Trading Co.

COMPLAINT

Pursuant to the provisions of an Act of Congress, approved September 26, 1914, entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," the Federal Trade Commission, having reason to believe that Tarpon Springs Sponge Exchange, Inc., a corporation (hereinafter referred to as respondent Exchange), and certain of its members, as hereinafter set forth (hereinafter designated as respondent packer mem-

bers); and James S. Smitzes, Inc., A. L. Tarapina, John Fassol, George Cladakis, W. F. Ferguson, Nic Macrenaris, Anastacios Kotis, Diamandis Leonis, Michael Gonatos, and Vasilio Christon (hereinafter referred to as respondent boat operators and independent boat owners), have been, and are now using unfair methods of competition in commerce, as "commerce" is defined in 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 Exchange is a stockholder-membership corporation, organized, existing, and doing business under the laws of the State of Florida, with its principal office and place of business located at Tarpon Springs, Fla. It is engaged in the business of conducting a Sponge Exchange for the service of its stockholder-members and others in buying, storing, and selling sponges. It has a membership of approximately 25 individuals, firms, partnerships, and corporations. The members of said respondent Exchange are packers and distributors of sponges, and are engaged in the sale of said sponges to wholesale and retail dealers located in the various States of the United States other than the State of Florida. They cause said sponges, when sold, to be transported from the State of Florida to the purchasers thereof, at their respective points of location. There has been, and now is, a constant current of trade and commerce in said sponges between the members of said respondent Exchange, located in the State of Florida, and dealers in said sponges located at points throughout other States of the United States. In the course and conduct of their respective businesses, in selling and offering for sale sponges in commerce, as herein set out, the members of respondent Exchange are in competition with each other, except for the matters and things herein alleged, and are in competition with other corporations, individuals, firms, and partnerships likewise engaged in the sale and distribution of similar products in commerce among and between the various States of the United States.

The respondent Exchange operates what is generally known as a Sponge Exchange, where the producers of such sponges unload their catch into a storage room, and where the packers and distributors purchase said sponges from the producers through the Exchange, and from where said sponges are thereafter sold and shipped in commerce by such packers and distributors, as hereinbefore set out. Tarpon Springs, Fla., is noted throughout the country and in many sections of the world as the sponge-producing center of America. The sponges bought and sold through respondent Exchange are regarded by the trade and purchasing public of the United States as the

Complaint

26 F. T. C.

best commercial domestic sponges that can be procured. Practically all of the sponges marketed at Tarpon Springs, Fla., are sold through the respondent Exchange. The sheepswool sponge, often designated as a wool sponge, is in great demand by industries throughout the United States, and is the most valuable sponge on the American market for commercial purposes. Virtually all of the sheepswool sponges produced in the United States are produced near Tarpon Springs, Fla., and are sold through the respondent Exchange. A majority of the regularly established wholesale and retail dealers of wool sponges throughout the United States are required to procure their sponges from the members of respondent Exchange in order to offer a line of domestic wool sponges.

While the membership of the respondent Exchange consists of approximately 25 persons, firms, and corporations, the following-named respondents are the active members, all of whom are either packers or distributors:

Mary J. Bouchlas, trading as Rock Island Sponge Company, with her principal place of business located at Tarpon Springs, Fla.

John Diamandis and Peter J. Cardulis, partners, trading as Diamandis & Cardulis, with their principal place of business located at Tarpon Springs, Fla.

N. G. Arfaras, an individual, with his principal place of business located at Tarpon Springs, Fla.

Sponge Producers' Corporation, a corporation existing under the laws of the State of Florida, with its principal place of business located at Tarpon Springs, Fla.

Charles Simeon and Charles Halipillas, partners, trading as Simeon & Halipillas, with their principal place of business located at Tarpon Springs, Fla.

Sponge Fishing Company, a corporation existing under the laws of the State of Florida, with its principal place of business located at Tarpon Springs, Fla.

Diamandis Diamandis and Cristos Psilakas, partners, trading as Industrial Florida Sponge Company, with their principal place of business located at Tarpon Springs, Fla.

Albert Bloch & Sons, Inc., a corporation existing under the laws of the State of New York, with its principal place of business located at 36 Walker Street, New York City.

D. A. Alissandratos and Nick Bessis, partners, trading as Commercial Sponge Company, with their principal place of business located at Tarpon Springs, Fla.

Meres Sponge & Trading Company, a corporation existing under the laws of the State of Florida, with its principal place of business located at Tarpon Springs, Fla.

Alec Stefanides, an individual, with his principal place of business located at Tarpon Springs, Fla.

C. G. Andriotes, trading as C. G. Andriotes & Company, with his principal place of business located at Tarpon Springs, Fla.

George S. Smitzes, James Smitzes, Louis Smitzes, and Nick Drivas, partners, trading as Smitzers & Drivas, with their principal place of business located at Tarpon Springs, Fla.

E. M. Macrenaris, an individual, with his principal place of business located at Tarpon Springs, Fla.

Nick Philippou and John Kourematis, partners, trading as Tropical Sponge Company, with their principal place of business located at Tarpon Springs, Fla.

Schroeder & Tremayne, Inc., a corporation existing under the laws of the State of Missouri, with its principal place of business located at 500 North Commercial Street, St. Louis, Mo.

John Fassol and P. Saclarides, partners, trading as Fassol and Saclarides, with their principal place of business located at Tarpon Springs, Fla.

Certain respondents hereinafter designated as "respondent boat operators" are: James S. Smitzes, Inc., a corporation existing under the laws of the State of Florida, with its principal place of business located at Tarpon Springs, Fla.; A. L. Tarapina, of Tarpon Springs, Fla.; John Fassol, of Tarpon Springs, Fla.; George Cladakis, of Tarpon Springs, Fla.; W. F. Ferguson, of Tarpon Springs, Fla.; and Nic Macrenaris, of Tarpon Springs, Fla. All respondent boat operators are engaged in the business known to the trade as "boat operators," and finance sponge-fishing expeditions for a percentage of the proceeds.

The respondents Anastacios Kotis, of Tarpon Springs, Fla.; Diamandis Leonis, of Tarpon Springs, Fla.; Michale Gonatos, of Tarpon Springs, Fla., and Vasilio Christon, of Tarpon Springs, Fla., are independent boat owners, and are hereinafter so designated, and are engaged in the business of procuring sponges, storing and selling them through the respondent Exchange. The respondents listed herein as "boat operators" are likewise interested in, and engaged in, the sale of the sponges procured by them through the said Sponge Exchange.

Only packers who own stock in the respondent Exchange, and others who, by payment of certain fees, enjoy the same rights in this regard as stockholders, are permitted to make purchases in the Sponge Exchange. Practically all of the sponge fishermen or producers of wool sponges in the United States make their sales through the said Sponge Exchange.

PAR. 2. On or about January 25, 1935, all of the respondents named herein united in a common course of action, and combined, conspired, and confederated together, cooperatively, for the purpose of restraining and preventing interstate trade in wool sponges, and of increasing the price of wool sponges in commerce between and among the several States of the United States and in the District of Columbia. Pursuant to said concert of action, conspiracy, and confederation, and in furtherance thereof, the said respondents did the following acts and things:

1. The respondent packer members of the respondent Exchange (excepting the respondent Schroeder & Tremayne, Inc.), at a meeting of the said Exchange, by a certain resolution, which was signed

Complaint

26 F. T. C.

by said respondent members, agreed, among other things, that all purchases of wool sponges, in or outside the Exchange, would be discontinued from February 15, 1935, to May 1, 1935. Said resolution, so passed and agreed to by the said respondent members, is in words and figures as follows:

RESOLUTION

The stockholders of the Tarpon Springs Sponge Exchange in meeting assembled, this day January 25th, 1935, and having the best interest of the Sponge Industry in mind.

RESOLVED that it is to the best interest of the Sponge Industry that the catch of sponges now stored in the Exchange be sold on the Exchange between this date and February 15th, thereby allowing ample time for such hookboats as are now out to bring their catches in, and that the new catch of Sponges to be brought in shall not be offered for sale on the Exchange until after May First the Exchange however remaining open for all sales of Yellow Gross and Wire between the dates mentioned.

Resolved further that said buyers shall not be permitted to buy any Wool Sponges, directly or indirectly, OUTSIDE of the Exchange, except for 'Fill-in-orders' from ONE BUYER to ANOTHER

Resolved further that any buyer violating this agreement shall be subject to the following fines

1. Buyers, who according to the last statistics, bought over \$50,000.00 worth shall be fined \$2,000.00
2. Buyers, who according to the last statistics, bought between \$15,000.00 and \$50,000.00 worth shall be fined \$1,000.00
3. Buyers, who bought less than \$15,000.00 shall be fined \$750.00

The adoption of the said resolution moved by Geo. M. Smitzes and seconded by N. G. Arfaras and subject to a wired adherence by the northern firms of James H. Rhodes & Co., American Sponge & Chamois Co., Schroeder & Tremayne, and Greek American Sponge Co. Local buyers adopting the above resolution hereby attest by affixing their signatures as follows:

(Signatures.)

Rock Island Sponge Co.
 Diamandis & Cardulis
 N. G. Arfaras
 Sponge Producers Corp.
 Simeon & Halipiliias
 Sponge Fishing Co.
 Albert Bloch & Sons (proxy)
 Commercial Sponge Co.
 John Fassol & P. Saclarides
 Meres Sponge & Trading Co.
 Alex. Stefanides
 C. G. Andriotes & Co.
 Smitzes & Drivas
 Em. Macrenaris
 Industrial Flda. Sponge Co.
 Tropical Sponge Co.

Charles M. Brown
 John Diamandis
 N. G. Arfaras
 Geo. M. Emmanuel
 Chas. Simeon
 Antonis Giallourakis
 Ernest Mears
 D. A. Allissandratos
 John Fassol

 A. Stefanides
 C. G. Andriotes
 Geo. S. Smitzes
 Em. Macrenaris
 D. Diamandis
 Tropical Sponge Co.

Following the passage and adoption of the above and foregoing resolution the respondent member Schroeder & Tremayne approved and ratified the said resolution, by agreeing to the postponement of sales as set out in the resolution, and by agreeing to the other provisions of said resolution.

2. On January 25, 1935, the respondent boat operators James S. Smitzes, Inc., A. L. Tarapina, John Fassol, George Cladakis, W. F. Ferguson, and Nic Macrenaris, and the respondent independent boat owners Anastacios Kotis, Diamandis Leonis, Michael Gonatos, and Vasilio Christon, at a meeting in Tarpon Springs, Fla., adopted and signed a resolution, which is in words and figures as follows:

BE IT RESOLVED by the operators of the sponge boats of the City of Tarpon Springs, Florida, that we promise not to allow any of our boats to sell any of their wool sponges, excepting those sponges now stored in the Sponge Exchange and being prepared for sale, before May First, 1935, it being understood at the same time that such hookboats as are now out, and who may be supplied (sic) by us, shall have the right to dispose of their catch by February 15th.

Be it further resolved that the independent boat owners shall join with us in this resolution.

Tarpon Springs, Florida,
January 25, 1935.

OPERATORS:

J. S. Smitzes, Inc., By J. L. Smitzes, Pres.
Alex L. Tarapina
John Fassol
George Cladakis
W. F. Ferguson
Nic Macrenaris

INDEPENDENT BOAT OWNERS:

Anastacios Kotis
D. Leonis
Michael Gonatos
Vasilio Christon.

3. Used other cooperative practices and means in furtherance of said plan.

PAR. 3. Pursuant to the adoption of the foregoing resolutions and agreements, the Exchange was closed, for the purchase or sale of wool sponges, from February 15, 1935, until May 3, 1935, and the respondents, during said period of time, by said combination, agreement, and concert of action, refused to buy or sell wool sponges during said period of time.

PAR. 4. The purpose, result, and effect of the combination, conspiracy, and agreements hereinabove set forth, and the acts and practices performed thereunder by said respondents, have been, and were, during the period from February 15, 1935, to May 3, 1935,

Findings

26 F. T. C.

unduly and unreasonably to restrain commerce, among and between the various States of the United States, in sponges; and to increase substantially the price of wool sponges to the wholesale dealers, retail dealers, and to the consuming public, by prohibiting the respondent boat operators and respondent independent boat owners from selling sponges during said period of time; by interrupting and prohibiting commerce, as herein set out, in wool sponges during said period of time; and by preventing wholesale dealers and retail dealers in wool sponges throughout the United States from purchasing their requirements of domestic wool sponges in commerce, as herein set out, from the sources of supply.

PAR. 5. The foregoing alleged acts and practices of respondents were in undue restraint of competition and trade in commerce, as herein set out, and are, and were, to the prejudice of the public interest, and constitute unfair methods of competition in commerce within the intent and meaning of Section 5 of an Act of Congress, approved September 26, 1914, entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes."

REPORT, FINDINGS AS TO THE FACTS, AND ORDER

Pursuant to the provisions of the Federal Trade Commission Act the Federal Trade Commission, on the 29th day of December 1936, issued and subsequently served its complaint in this proceeding upon respondents, Tarpon Springs Sponge Exchange, Inc., a corporation, Mary J. Bouchlas, trading as Rock Island Sponge Company, John Diamandis and Peter J. Cardulis, partners trading as Diamandis and Cardulis, N. G. Arfaras, an individual, Sponge Producers' Corporation, a corporation, Charles Simeon and Charles Halipilias, partners trading as Simeon and Halipilias, Sponge Fishing Company, a corporation, Diamandis Diamandis and Cristos Psilakas, partners trading as Industrial Florida Sponge Company, Albert Block and Sons, Inc., a corporation, D. A. Alissandratos and Nick Bessis, partners trading as Commercial Sponge Company, Meres Sponge & Trading Company, a corporation, Alec Stefanidi, an individual, C. G. Andriotes, trading as C. G. Andriotes & Company, George S. Smitzes, James Smitzes, Louis Smitzes and Nick Drivas, partners trading as Smitzes and Drivas, Em. Macrenaris, an individual, Nick Philippou and John Kourematis, partners trading as Tropical Sponge Company, Schroeder and Tremayne, Inc., a corporation, John Fassol and P. Saclarides, partners trading as Fassol and Saclarides, James S. Smitzes, Inc., a corporation, A. L. Tarapina, an individual, John Fassol, an individual, George Cladakis,

an individual, W. F. Ferguson, an individual, Nic Macrenaris, an individual, Anastacios Kotis, an individual, Diamandis Leonis, an individual, Michael Gonatos, an individual, and Vasilio Christon, an individual, charging them with the use of unfair methods of competition in commerce in violation of the provisions of said act. After the issuance of said complaint and the filing of respondents' answers thereto, testimony and other evidence in support of the allegations of said complaint were introduced by Astor Hogg, attorney for the Commission, before Robert S. Hall, an examiner of the Commission, theretofore duly designated by it, and in opposition to the allegations of the complaint by William L. Hill and Henry H. Morgan, attorneys for the respondent; and said testimony and other evidence were duly recorded and filed in the office of the Commission. Thereafter, the proceeding regularly came on for final hearing before the Commission upon the said complaint, the answers thereto, testimony and other evidence, and briefs in support of the complaint and in opposition thereto, and the oral arguments of Karl Stecher, counsel for the Commission, and William L. Hill, counsel for respondents, and the Commission having duly considered the same and being now fully advised in the premises, finds that this proceeding is in the interest of the public and makes this its findings as to the facts and its conclusion drawn therefrom:

FINDINGS AS TO THE FACTS

PARAGRAPH 1. Respondent, Tarpon Springs Sponge Exchange, Inc., hereinafter referred to as respondent Exchange, is a stockholder membership corporation organized in 1909, existing and doing business under the laws of the State of Florida, with its principal office and place of business located at Tarpon Springs, Fla. It is engaged in the business of maintaining and conducting a sponge exchange for the use and benefit of its stockholder members and such others as may be granted permits, in buying, storing, and selling sponges. There are in all approximately 25 members of the respondent exchange. All of the active members are packers and distributors of sponges and are engaged in buying sponges on the Exchange and selling said sponges to wholesale and retail dealers located in the various States of the United States, the District of Columbia, and foreign countries. They cause said sponges, when sold, to be transported from the State of Florida to purchasers thereof located outside of the State of Florida. There has been, and is now, a course of trade and commerce in said sponges between the members of the respondent Exchange located at Tarpon Springs, Fla., and dealers in said sponges located at points throughout other States of the United States, the District

of Columbia, and foreign countries. In the purchase and sale and offering for sale of said sponges in commerce as herein set out, the members of the respondent Exchange are in competition with each other, except as such competition was restricted and suppressed by the acts and practices hereinafter set out, and are in competition with other corporations, individuals, firms, and partnerships likewise engaged in the sale and distribution of sponges in commerce among and between the various States of the United States.

Respondent Tarpon Springs Sponge Exchange, Inc., built a structure, rectangular in shape, more or less open on one side and with stalls around the other three sides, all opening on the court in the middle. These stalls are rented out to boat captains to store their catches of sponges until such time as they are ready for sale. Practically all sponges brought into Tarpon Springs are stored in this Exchange and are there offered for sale. On sale days the various boat captains bring their sponges out of the stalls and place them in the court in piles, where they are sold at auction. All bids are secretly made by the bidder handing in a slip of paper on which his bid is listed. The captain of the ship is free to accept or reject any bid made.

After they are purchased at the Exchange the sponges are taken by the packer to his warehouse and are there prepared for shipment to purchasers in various parts of the United States outside of Florida and in foreign countries.

The sponges produced in the United States come under four general classifications, to wit: wool sponges, also known as sheep's wool sponges; yellow sponges; wire sponges; and grass sponges. By far the most important, both from the standpoint of quality and from the standpoint of quantity, is the wool sponge, this species far exceeding in value and in quantity all other varieties combined. Wool sponges are considered the best domestic sponges for the automobile-washing trade and for what is known as the paint industry. Practically all of the wool sponges produced in the United States come from the waters of the Gulf of Mexico adjacent to Tarpon Springs, Fla., or Key West, Fla. Tarpon Springs, Fla., is the largest and most important sponge-producing center in the United States. Upwards of 80 percent of all sponges produced in the United States come from Tarpon Springs. The wool sponges produced at Tarpon Springs have the reputation of being the finest wool sponges produced anywhere. Over 90 percent of the population of Tarpon Springs is directly dependent upon the sponge industry.

The majority of the regularly established wholesale and retail dealers throughout the United States are required to procure wool

sponges from the members of the respondent Exchange in order to offer and be able to sell a line of wool sponges produced in the United States. There is no other way for these wholesalers and retailers throughout the United States to obtain an adequate supply of domestic wool sponges, except directly or indirectly through the members of the respondent Exchange, for over 80 percent of all domestic wool sponges are produced at Tarpon Springs and practically all sponges bought and sold in Tarpon Springs pass through the Tarpon Springs Sponge Exchange.

While the membership of the respondent Exchange consists of approximately 25 persons, firms, and corporations, the following-named respondents herein referred to as respondent packer members are the active members, all of whom are either packers or distributors of sponges and have their places of business in Tarpon Springs, Fla.:

Mary J. Bouchlas, trading as Rock Island Sponge Company, with her principal place of business located at Tarpon Springs, Fla.

John Diamandis and Peter J. Cardulis, partners, trading as Diamandis & Cardulis, with their principal place of business located at Tarpon Springs, Fla.

N. G. Arfaras, an individual, with his principal place of business located at Tarpon Springs, Fla.

Sponge Producers' Corporation, a corporation existing under the laws of the State of Florida, with its principal place of business located at Tarpon Springs, Fla.

Charles Simeon and Charles Halipilias, partners, trading as Simeon & Halipilias, with their principal place of business located at Tarpon Springs, Fla.

Sponge Fishing Company, a corporation existing under the laws of the State of Florida, with its principal place of business located at Tarpon Springs, Fla.,

Diamandis Diamandis and Cristos Psilakas, partners, trading as Industrial Florida Sponge Company, with their principal place of business located at Tarpon Springs, Fla.

Albert Bloch & Sons, Inc., a corporation existing under the laws of the State of New York, with its principal place of business located at 36 Walker Street, New York City.

D. A. Alissandratos and Nick Bessis, partners, trading as Commercial Sponge Company, with their principal place of business located at Tarpon Springs, Fla.

Meres Sponge & Trading Company, a corporation existing under the laws of the State of Florida, with its principal place of business located at Tarpon Springs, Fla.

Alec Stefanidi, an individual, with his principal place of business located at Tarpon Springs, Fla.

C. G. Andriotes, trading as C. G. Andriotes & Company, with his principal place of business located at Tarpon Springs, Fla.

George S. Smitzes, James Smitzes, Louis Smitzes, and Nick Drivas, partners, trading as Smitzes & Drivas, with their principal place of business located at Tarpon Springs, Fla.

Em. Macrenaris, an individual, with his principal place of business located at Tarpon Springs, Fla.

Nick Philippou and John Kourematis, partners, trading as Tropical Sponge Company, with their principal place of business located at Tarpon Springs, Fla.

Findings

26 F. T. C.

Schroeder & Tremayne, Inc., a corporation existing under the laws of the State of Missouri, with its principal place of business located at 300 North Commercial Street, St. Louis, Mo.

John Fassol and P. Saclarides, partners, trading as Fassol & Saclarides, with their principal place of business located at Tarpon Springs, Fla.

Respondents, James S. Smitzes, Inc., a corporation existing under the laws of the State of Florida with its principal place of business located at Tarpon Springs, Fla.; A. L. Tarapina of Tarpon Springs, Fla., John Fassol of Tarpon Springs, Fla., George Cladakis of Tarpon Springs, Fla., W. F. Ferguson of Tarpon Springs, Fla., and Nic Macrenaris of Tarpon Springs, Fla., are known to the sponge trade at Tarpon Springs, Fla., as "Boat Operators." Such so-called "Boat Operators" are engaged in the financing and advancing funds and supplies to those actually engaged in sponge fishing expeditions, and for such financing and advancing of such funds and supplies the respondent "Boat Operators" receive a percentage of the proceeds arising from the sale of the sponges gathered in such sponge fishing expeditions. Respondent "Boat Operators" have a direct interest in the sale of such sponges in the Exchange after they have been procured by the actual fishers, and when the sponges (which the respondent "Boat Operators" have aided in procuring by financing the expeditions) are sold on the Exchange the receipts for the sale of such sponges are in usual practice and as a general thing paid over to the respondent "Boat Operators," after which said respondent "Boat Operators" distribute such funds, upon a share basis, to those who took part in the gathering of such sponges, less the percentage of the proceeds to which the respondent "Boat Operators" are entitled under their agreement with the sponge fishers made before the sponge expeditions embarked.

The respondents, Anastacios Kotis of Tarpon Springs, Fla., Diamandis Leonis of Tarpon Springs, Fla., Michael Gonatos of Tarpon Springs, Fla., and Vasilio Christon of Tarpon Springs, Fla., are known to the sponge trade at Tarpon Springs, Fla., as "Independent Boat Owners," and are hereinafter so designated, and they are engaged in the business of procuring or fishing sponges from the Gulf of Mexico and storing and selling them at and through the respondent Exchange.

The respondent "Boat Operators" and respondent "Independent Boat Owners" are, and were at all times mentioned herein, fully aware of the fact that when the sponges are brought to the Exchange and sold through the Exchange, such sponges are within a reasonable time thereafter, in the vast majority of instances, sold and transported in commerce by the buyers of such sponges to customers located in the various States of the United States, and that the

regular channel of commerce in sponges brought to Tarpon Springs is from the producers through the Exchange to the packers and from the packers on to the buyers and users throughout the various parts of the United States and of the world.

Only packers who own stock in the respondent Exchange and have been elected to membership therein, and such others as may be able to secure a permit, upon payment of a stipulated fee, are permitted to make purchases on or at the Exchange. Practically all of the wool sponges passing through Tarpon Springs are sold through the Exchange.

PAR. 2. The sponge industry at Tarpon Springs had been in a relatively chaotic and unsatisfactory condition for some time prior to 1934, due to a greatly lessened demand for sponges. During the year 1934, the production of wool sponges at Tarpon Springs was considerably greater than for each of the preceding 3 years, without a corresponding increase in the demand for such sponges.

At the end of the year 1934, respondent packers found themselves greatly overstocked, with between \$500,000 and \$600,000 worth of sponges on hand in their warehouses. A considerable portion of this stock was heavily mortgaged. Collections of outstanding accounts were slow, and the packers had about exhausted their financial credit. The entire community of Tarpon Springs was in a precarious financial situation because of the condition of the sponge fishing industry, on which it is almost wholly dependent.

With the sponge industry in this situation, with an additional large stock of sponges on hand in the Exchange unsold, and with more sponges being fished for, a general meeting of all interested parties in the sponge industry was called for January 10, 1935, and was held in the Greek schoolhouse in Tarpon Springs, because there was insufficient room in the Exchange. Mr. George Emmanuel, president of the Exchange, presided. He stated that some way had to be found to dispose of the more than \$100,000 worth of sponges in storage at the Exchange, and some arrangement made about payment for the same, as the buyers were unable to provide cash, due to slow returns of outstanding accounts. Mr. Emmanuel asked the operators if they could carry 40 percent, provided 60 percent was paid in cash by the packers. A final agreement was reached under the terms of which 60 percent cash would be paid and accepted, with a 60-day extension of credit for the remaining 40 percent. Mr. Emmanuel then asked the fishing boat captains (producers) if they would promise the Tarpon Springs Sponge Exchange not to sell any further wool catches, excepting what was then in the Exchange, until after Easter, or about May 1, 1935. A vote was taken which showed that all present were in favor of carrying out such agreement. It was further

Findings

26 F. T. C.

agreed that sales should be made until the entire stock of wool sponges in the Exchange was disposed of, making the last sale February 5, 1935.

In furtherance of the same aims and purposes, a meeting was held at the Tarpon Springs Sponge Exchange on January 25, 1935, at which the following resolution was adopted:

The Stockholders of the Tarpon Springs Sponge Exchange, this day January 25th, 1935, in meeting assembled and having the best interests of the Sponge Industry in mind,

RESOLVED that it is to the best interest of the industry that the catch of Sponges now stored in the Exchange be sold on the Exchange between this date and Febry 15th allowing thereby ample time for such Hookboats, as are now out, to bring the catch in and that the new catch of sponges to be brought in shall not be offered for sale until after May First, the Exchange however, remaining open for all sales of Yellow, Grass, and Wire between the dates mentioned.

RESOLVED further that said buyers shall not be permitted to buy any Wool Sponges, directly or indirectly, OUTSIDE of the Exchange, except for "FILL-IN-ORDERS" from ONE BUYER to ANOTHER.

RESOLVED further that any buyer violating this agreement shall be subjected to the following fines:

1. Buyers, who according to the last statistics, bought over \$50,000 worth shall be fined \$2,500.00

2. Buyers who bought between \$15,000.00 and \$50,000.00 according to the last statistics shall be fined \$1,000.00.

3. Buyers who bought less than \$15,000—shall be fined \$750.00.

The adoption of the said resolution was moved by Geo. M. Smitzes and seconded by N. G. Arfaras and is subject to a wired adherence by the Northern firms of James H. Rhodes & Co., American Sponge & Chamolis Co., Schroeder & Tremayne and Greek-American Sponge Co.

Local Buyers adopting the above resolution hereby attest by affixing their signatures as follows:

(Names typewritten.)

Rock Island Sponge Co.
Diamandis & Cardulis
N. G. Arfaras
Sponge Producers' Corp.
Simeon & Halipillas
Sponge Fishing Co.
Albert Bloch & Sons (proxy)
Commercial Sponge Co.
John Fassol & Peter Saclarides
Meres Sponge & Trading Co.
Alex. Stefanidi
C. G. Andriotes Co.
Smitzes & Drivas
Em. Macrenaris
Industrial Fld. Sponge Co.
Tropical Sponge Co.

(Signatures.)

Charles M. Brown
John Diamandis
N. G. Arfaras
Geo. M. Emmanuel
Chas. Simeon
Antonis Giallourakis
Ernest Mears
D. A. Alissandratos
John Fassol

A. Stefanidi
C. G. Andriotes
Geo. S. Smitzes
Em. Macrenaris
D. Diamandis
Tropical Sponge Co.

The said resolution was agreed to by the respondents whose signatures appear thereon.

Following the passage and adoption of the above and foregoing resolution the respondent member Schroeder & Tremayne, Inc., approved and ratified the said resolution by agreeing to the terms of said resolution.

On January 25, 1935, the respondent "Boat Operators," James S. Smitzes, Inc., A. L. Tarapina, John Fassol, George Cladakis and W. F. Ferguson, and the respondent "Independent Boat Owners," Nic Macrenaris, Anastacios Kotis, Diamandis Leonis, Michael Gonatos and Vasilio Christon at a meeting in Tarpon Springs, Fla., adopted and signed a resolution which is in words and figures as follows:

BE IT RESOLVED by the operators of the sponge boats of the city of Tarpon Springs, Florida, that we promise not to allow any of our boats to sell any of their wool sponges, excepting those sponges now stored in the Sponge Exchange and being prepared for sale, before May First, 1935, it being understood at the same time that such hookboats as are now out, and who may be supplied by us, shall have the right to dispose of their catch by February 15th.

Be it further resolved that the independent boat owners shall join with us in this resolution.

Tarpon Springs, Florida,
January 25, 1935

Operators:

J. S. Smitzes, Inc., By J. L. Smitzes, Pres.
Alex L. Tarapina
John Fassol
George Cladakis
W. F. Ferguson
Nic Macrenaris

INDEPENDENT BOAT OWNERS:

Anastacios Kotis
D. Leonis
Michael Gonatos
Vasilio Christon.

PAR. 3. Following the adoption of the foregoing resolutions and agreements, with the respondent Tarpon Springs Sponge Exchange, Inc., assenting and cooperating, the said Exchange was closed for the purchase or sale of wool or sheep's wool sponges from February 16, 1935, to May 2, 1935, both dates inclusive, and the respondents during said period of time by combination, agreement, and concerted action refused to buy or sell wool sponges in or through said Exchange during said period of time. Respondent packers did, however, make various sales from one packer to another for the purpose of filling orders which they had for wool sponges from persons outside of the State of Florida.

PAR. 4. Due to the large stocks of sponges on hand in Tarpon Springs and to the slowness of the demand, the prices of wool sponges were going downward. Respondents testified these prices were lower than the cost of production, but presented no documentary evidence in substantiation of such contention.

The purpose of closing the Exchange for the sale of wool sponges was to prevent a further decline in the prices of wool sponges, both on the Exchange and elsewhere, and to increase such prices if possible. The effect of closing the Exchange for the sale of wool sponges is shown in the following table:

Prices of wool sponges per bunch

	1935		
	Jan. 1- Jan. 31	Feb. 1- Feb. 15	May 3- May 31
Large.....	\$8.83	\$6.66	\$10.08
Small and medium.....	1.83	1.63	1.98
Large rags.....	5.60	3.80	6.28
Small rags.....	1.22	1.18	1.62

A further purpose of the closing of the Exchange was to permit the respondent packers to unload their surplus stocks on hand, make collections of outstanding accounts, and adjust themselves accordingly. During the period the Exchange was closed, respondent packers were able to and did dispose of between 40 percent and 50 percent of the stocks of sponges they had on hand.

PAR. 5. The effect of the combination, conspiracy, and agreements hereinabove set forth, and the acts and practices performed thereunder by respondents during the period from February 16, 1935, to May 2, 1935, both dates inclusive, was to stop completely the normal flow of sponges from the producers through the Tarpon Springs Sponge Exchange to the consumers in other States of the United States, the District of Columbia, and in foreign countries, and to increase the price of wool sponges to dealers and to the public generally. The closing of the Exchange under the said resolution had the effect of, and did, suppress and hinder competition in the interstate sale of wool sponges.

CONCLUSION

The aforesaid acts and practices of respondents, as hereinabove named, are all to the injury and prejudice of the public and of respondents' competitors and constitute unfair methods of competition in commerce within the intent and meaning of the Federal Trade Commission Act.

ORDER TO CEASE AND DESIST

This proceeding having been heard by the Federal Trade Commission upon the complaint of the Commission, the answers of respondents, testimony, and other evidence taken before Robert S. Hall, an examiner of the Commission theretofore duly designated by it, in support of the allegations of said complaint and in opposition thereto, and briefs filed herein, and oral arguments by Karl Stecher, counsel for the Commission, and by William L. Hill, counsel for the respondents, and the Commission having made its findings as to the facts and its conclusion that said respondents have violated the provisions of an Act of Congress, approved September 26, 1914, entitled, "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes."

It is ordered, That the respondents, Tarpon Springs Sponge Exchange, Inc., a corporation, Mary J. Bouchlas, trading as Rock Island Sponge Co., John Diamandis and Peter J. Cardulis, partners trading as Diamandis and Cardulis, N. G. Arfaras, an individual, Sponge Producers Corporation, a corporation, Charles Simeon and Charles Halipilias, partners trading as Simeon and Halipilias, Sponge Fishing Company, a corporation, Diamandis Diamandis and Cristos Psilakas, partners trading as Industrial Florida Sponge Company, Albert Bloch and Sons, Inc., a corporation, D. A. Alissandratos and Nick Bessis, partners trading as Commercial Sponge Company, Alec Stefanidi, an individual, C. G. Andriotes, trading as C. G. Andriotes & Company, George S. Smitzes, James Smitzes, Louis Smitzes, and Nick Drivas, partners trading as Smitzes and Drivas, Em. Macrenaris, an individual, Nick Philippou and John Kourematis, partners trading as Tropical Sponge Company, Schroeder & Tremayne, Inc., a corporation, John Fassol and P. Saclarides, partners trading as Fassol and Saclarides, James S. Smitzes, Inc., a corporation, A. L. Tarapina, an individual, John Fassol, an individual, George Cladakis, an individual, W. F. Ferguson, an individual, Nic Macrenaris, an individual, Anastacios Kotis, an individual, Diamandis Leonis, an individual, Michael Gonatos, an individual, and Vasilio Christon, an individual, their representatives, officers, agents, and employees, or any group of such respondents or their agents, either with or without the cooperation of persons not parties in this proceeding, cease and desist from uniting in a common course of action or entering into any understanding, agreement, combination, or conspiracy for the purpose or with the effect of restricting, restraining, or monopolizing, or eliminating competition in, the purchase or sale of sponges sold or intended to be sold in interstate commerce, and in furtherance of such under-

Order

26 F. T. C.

standing, agreement, combination, or conspiracy from doing any of the following acts and things:

1. Entering into and carrying out any understanding or agreement not to sell sponges on or through the sponge exchange operated by the respondent Tarpon Springs Sponge Exchange, Inc.

2. Entering into and carrying out any understanding or agreement not to buy sponges on or through the sponge exchange operated by the respondent Tarpon Springs Sponge Exchange, Inc.

3. Entering into and carrying out any understanding or agreement refusing to sell or buy sponges.

Provided, That nothing herein contained shall be construed to conflict in any manner with U. S. Code, Title 15, Chapter 13A, Sections 521 and 522.

It is furthered ordered, That the respondents shall, within 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.