

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 the order to cease and desist.

IN THE MATTER OF
STATE RECORD DISTRIBUTORS, INC., ET AL.

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

Docket 7798. Complaint, Mar. 2, 1960—Decision, May 10, 1960

Consent order requiring Cincinnati and Indianapolis record distributors to cease paying concealed "payola" to disc jockeys of radio and television programs as inducement to have their records broadcast frequently in order to increase sales.

*Mr. John T. Walker and Mr. James H. Kelley for the Commission.
Bagal and Talesnick, of Indianapolis, Ind., by Mr. Seymour M.
Bagal, for respondents.*

INITIAL DECISION BY EARL J. KOLB, HEARING EXAMINER

The complaint in this proceeding, issued March 2, 1960, charges that the respondents have violated the provisions of the Federal Trade Commission Act in connection with the sale and distribution of phonograph records.

Respondents State Record Distributors, Inc., Whirling Disc Record Distributors, Inc., and Indiana State Record Distributors, Inc., are corporations organized, existing and doing business under the

laws of the State of Indiana. Respondents State Record Distributors, Inc. and Whirling Disc Record Distributors, Inc. have their principal office and place of business located at 140 West 5th Street, Cincinnati, Ohio. Respondent Indiana State Record Distributors, Inc. has its principal office and place of business located at 1311 North Capitol Avenue, Indianapolis, Indiana.

Respondent Melvin Herman is president of State Record Distributors, Inc. and Indiana State Record Distributors, Inc., and is vice president of Whirling Disc Record Distributors, Inc. Respondent Carl G. Herman is secretary-treasurer of State Record Distributors, Inc., and Indiana State Record Distributors, Inc., and is president of Whirling Disc Record Distributors, Inc. Respondent Herbert Harloe is secretary treasurer of Whirling Disc Record Distributors, Inc. The address of the individual respondents is 140 West 5th Street, Cincinnati, Ohio.

After the issuance of the complaint respondents entered into an agreement containing consent order to cease and desist with counsel in support of the complaint, disposing of all the issues as to all parties in this proceeding.

It was expressly provided in said agreement that the signing thereof is for settlement purposes only and does not constitute an admission by respondents that they have violated the law as alleged in the complaint.

By the terms of said agreement, the respondents admitted all the jurisdictional facts alleged in the complaint and agreed that the record herein may be taken as if the Commission had made findings of jurisdictional facts in accordance with the allegations.

By said agreement, the parties expressly waived any further procedural steps before the hearing examiner and the Commission; the making of findings of fact or conclusions of law; and all the rights they may have to challenge or contest the validity of the order to cease and desist entered in accordance with the agreement.

Respondents further agreed that the order to cease and desist, issued in accordance with said agreement, shall have the same force and effect as if made after a full hearing.

It was further provided that said agreement, together with the complaint, shall constitute the entire record herein; that the complaint herein may be used in construing the terms of the order issued pursuant to said agreement; and that said order may be altered, modified or set aside in the manner prescribed by the statute for orders of the Commission.

The hearing examiner has considered such agreement and the order therein contained, and, it appearing that said agreement and

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order provides for an appropriate disposition of this proceeding, the same is hereby accepted and is ordered filed upon becoming part of the Commission's decision in accordance with Sections 3.21 and 3.25 of the Rules of Practice, and, in consonance with the terms of said agreement, the hearing examiner finds that the Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents named herein, that this proceeding is in the interest of the public, and issues the following order:

ORDER

It is ordered, That respondents State Record Distributors, Inc., a corporation, Whirling Disc Record Distributors, Inc., a corporation, Indiana State Record Distributors, Inc., a corporation, and their officers, and Melvin Herman, and Carl G. Herman, individually, and as officers of said corporations, and Herbert Harloe, individually, and as an officer of Whirling Disc Record Distributors, Inc. and respondents' agents, representatives and employees, directly or through any corporate or other device, in connection with phonograph records which have been distributed, in commerce, or which are used by radio or television stations in broadcasting programs in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

(1) Giving or offering to give, without requiring public disclosure, any sum of money or other material consideration, to any person, directly or indirectly, to induce that person to select, or participate in the selection of, and the broadcasting of, any such records in which respondents, or any of them, have a financial interest of any nature.

(2) Giving or offering to give, without requiring public disclosure, any sum of money, or other material consideration, to any person, directly or indirectly, as an inducement to influence any employee of a radio or television broadcasting station, or any other person, in any manner, to select, or participate in the selection of, and the broadcasting of, any such records in which respondents, or any of them, have a financial interest of any nature.

There shall be "public disclosure" within the meaning of this order, by any employee of a radio or television broadcasting station, or any other person, who selects or participates in the selection and broadcasting of a record when he shall disclose, or cause to have disclosed, to the listening public at the time the record is played, that his selection and broadcasting of such record are in consideration for compensation of some nature, directly or indirectly, received by him or his employer.

DECISION OF THE COMMISSION AND ORDER TO FILE REPORT OF COMPLIANCE

Pursuant to Section 3.21 of the Commission's Rules of Practice, the initial decision of the hearing examiner shall, on the 10th day of May, 1960, become the decision of the Commission; and, accordingly:

It is ordered That the respondents herein shall, within sixty (60)