

OF THE FEDERAL TRADE COMMISSION ACT

Docket C-2497. Complaint, Mar. 20, 1974—Decision, Mar. 20, 1974

Consent order requiring sellers of memberships in dance and recreation clubs located in Dallas and Richardson, Texas, among other things to cease misrepresenting the prices and terms and conditions of their memberships.

Appearances

For the Commission: *Jim B. Brookshire.*

For the respondents: *Clay Scott, Jr.,* Dallas, Texas.

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 Dance World, Inc., and Dance World Richardson, Inc., corporations, and Phyllis Francis Klein, individually and as an officer of said corporations, hereinafter sometimes 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 it complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Dance World, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Texas with its principal office and place of business located at 1912½ Main Street, Dallas, Tex.

Respondent Dance World Richardson, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Texas with its principal office and place of business located at 412 Spanish Village, Richardson, Tex.

Respondent Ms. Phyllis Francis Klein is an officer of the corporate respondents. She formulates, directs, and controls the acts and practices of the corporate respondents including the acts and practices hereinafter set forth. Her address is 1912½ Main Street, Dallas, Tex.

PAR. 2. Respondents are now, and for some time last past, have been engaged in selling memberships in dance and recreation clubs.

PAR. 3. In the course and conduct of their business as aforesaid, respondents have disseminated, and caused the dissemination of certain advertisements concerning the said memberships and other services by various means in commerce, as "commerce" is defined in the Federal Trade Commission Act, including but not limited to newspapers for the purpose of inducing, and which were likely to induce, directly or indirectly, the purchase of said memberships and other services; and have disseminated and caused the dissemination of advertisements concerning said memberships and other services by various means, including but not limited to newspapers, for the purpose of inducing and which were likely to induce, directly or indirectly, the purchase of said memberships and other services in commerce as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. Typical and illustrative of the statements and representations in said advertisements, disseminated as aforesaid, but not all inclusive thereof, is the following:

PARTY TIME 52 WEEKS A YEAR * * * Get acquainted with Dallas. NEW ADULT CLUB. May Special, a \$60.00 membership now only \$5.00. Join the fun instead of watching it. You'll enjoy our daily mixers * * * weekly socials * * * dance lessons * * * weekend trips * * * "night on the town" parties in Dallas' finest supper clubs. Come meet some of the nicest people in town * * * make new friends * * * have fun 52 weeks a year! No escort needed. All applicants personally interviewed before being accepted as members.

This offer is good for new members only!

PAR. 5. By and through the use of said advertisements and others of similar import but not specifically set forth herein, respondents have represented and are now representing, directly and by implication, that:

A one-year membership may be purchased for \$5.00.

PAR. 6. In truth and in fact, respondents do not sell a one-year membership for \$5; the initial month's membership is \$5 and the charge thereafter is \$5 per week.

Therefore, the advertisements referred to in Paragraph Four were and are false, misleading and deceptive, and the representations referred to in Paragraph Five were and are false, misleading, and deceptive.

PAR. 7. The use by respondents of the aforesaid false, misleading and deceptive statements, representations, acts and practices has had, and now has, the capacity and tendency 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 amounts of respondents' memberships and other services by reason of said erroneous and mistaken belief.

PAR. 8. The acts and practices of the respondents as set forth above 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 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 Dallas Regional Office 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 Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondents Dance World, Inc. and Dance World Richardson, Inc., are corporations organized, existing and doing business under and by virtue of the laws of the State of Texas, with their offices and principal places of business located at 1912¼ Main Street, city of Dallas, State of Texas, and 412 Spanish Village, city of Richardson, State of Texas.

Respondent Ms. Phyllis Francis Klein, is an officer of said corporation. She formulates, directs and controls the policies, acts and practices of said corporation, and her principal office and place of business is located at the above stated addresses.

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 Dance World, Inc. and Dance World Richardson, Inc., corporations, their successors and assigns, and their officers, and Phyllis Francis Klein, individually and as an officer, and respondents' agents, representatives and employees directly or through any corporation, subsidiary, division or other device, in connection with the advertising, offering for sale, and sale of dance club or social club memberships or services or any other services or products in commerce as "commerce" is defined in Federal Trade Commission act, do forthwith cease and desist from:

1. Representing, directly or by implication that any memberships may be purchased in respondents' dance clubs without clearly and conspicuously disclosing the period of time to which the membership relates and,

2. Advertising any price without also clearly and conspicuously disclosing the terms and conditions of continuing a membership beyond the initial advertised period of membership.

It is further ordered, That the individual respondent named herein promptly notify the Commission of the discontinuance of her present business or employment and of her affiliation with a new business or

employment. Such notice shall include respondent's current business address and a statement as to the nature of the business or employment in which she is engaged as well as a description of her duties and responsibilities.

It is further ordered, That in the event that respondent merges with another corporation or transfers all or a substantial part of its business or assets to any other corporation or to any other person, respondent shall require said successor or transferee to file promptly with the Commission a written agreement to be bound by the terms of this order; *Provided*, That if respondent wishes to present to the Commission any reasons why said order should not apply in its present form to said successor or transferee, it shall submit to the Commission a written statement setting forth said reasons prior to the consummation of said succession or transfer.

It is further ordered, That the respondent corporation shall forthwith distribute a copy of this order to each officer of the corporation, member of the board, organization manager, and each employee, now and in the future, involved in the writing or placement of advertising or sales.

It is further ordered, That respondents notify the Commission at least 30 days prior to any proposed change in the corporate respondent such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or any other change in the corporation 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.

IN THE MATTER OF

CARPET BAZAAR, INC., ET AL.

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

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