



John W. Whelpley
Executive Vice President
Chief Administrative Officer

July 14, 2006

Donald S. Clark, Secretary
Federal Trade Commission
Office of the Secretary, Room H-135 (Annex W)
600 Pennsylvania Avenue, NW
Washington, DC 20580

RE: Business Opportunity Rule, R511993

Dear Secretary Clark:

Please accept this letter as a response to your invitation to submit comments on the Federal Trade Commission's ("FTC" or "Commission") Notice of Proposed Rulemaking ("Proposed Rule") for the Business Opportunity Rule published in the Federal Register, 16 CFR Part 437, on April 12, 2006. We appreciate the opportunity to provide our opinion and trust the sincerity of our comments will be considered upon review by the commission. Our company, Vector Marketing Corporation, is very concerned with the dire impact this Proposed Rule will have on our business. If adopted in its present form, the Proposed Rule would create an excessive burden that would be very difficult for our company and others to successfully endure.

Vector Marketing Corporation is a direct selling company that sells Cutco Cutlery, a line of high quality kitchen cutlery, accessories, and sporting knives. Since 1949, Cutco has been produced in the United States and today is one of the very few cutlery manufacturers remaining in the U.S. Our direct sales approach to selling our product is among the major reasons we remain. Our direct selling independent contractors are provided with a unique opportunity to earn an income by soliciting orders for these Cutco products through face-to-face demonstrations in the home of the potential customer. The opportunity attracts individuals seeking job flexibility, low start-up costs and requires no past work experience. The only cost associated with the Vector business opportunity is the purchase of a fully refundable sales kit, which is less than \$150.00 plus tax. The Vector opportunity is very popular among college students, who use the opportunity to develop business and interpersonal skills while they earn money to help pay for their college education and expenses. In fact, Vector Marketing Corporation is one of the largest providers of work opportunities for college students in the United States. The ease of entry into this business is also an attraction to prospective sellers generally, while the safeguard of a fully refundable sales kit allows for ease of exit with little or no financial risk.



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The Proposed Rule would jeopardize the ease of entry that is synonymous with legitimate direct selling opportunities such as with Vector Marketing Corporation. Individuals pursuing such sales work would be deterred if faced with waiting periods. Specifically, the seven day waiting period would impose an insurmountable restriction on the customarily informal process of direct seller recruiting by interrupting the enthusiasm of those looking to get started immediately with a legitimate, low risk opportunity. A delay of one week would cause these individuals looking to earn income as quickly as possible to look elsewhere for earning opportunities. For example, a week's delay would significantly impact a college student's earning potential for the short summer season, and would likely deter many college students from considering a summer or part time opportunity with Vector Marketing. We urge you, therefore, to consider the significant negative impact the imposition of a seven day waiting period would have on Vector Marketing Corporation and the opportunity it provides to contractors.

Many of the elements of the Proposed Rule do not provide additional consumer protections. For example, our company provides all recruits with the option to sell back their sales kit if they decide to no longer pursue sales opportunities. Vector Marketing Corporation will refund or buy back the sales kit upon request from the direct seller for 100% of what they invested in it. This buy back policy is consistent with, and surpasses, the Direct Selling Association's Code of Ethics on buy back policies. Accordingly, it does not seem practical for the Commission to impose such regulations on direct selling companies when there are safeguards already in place to protect individuals from business opportunity risk. If not amended, the Proposed Rule would unfairly suggest a level of risk with legitimate direct selling opportunities such as Vector Marketing Corporation that simply does not exist.

It is our understanding the \$500 minimum investment threshold that currently exists under the Franchise Rule would be eliminated by the Proposed Rule. This proposal is also of considerable concern to our company. The existence of a financial threshold provides an effective tool for making the distinction between low risk activities and the high risk business opportunity frauds. As stated above, our company offers a direct selling opportunity that is fundamentally risk free. The only start up expense is the cost of a sales kit (and that is refundable). To include our direct selling business and others similarly situated within the definitions of the Proposed Rule by eliminating this threshold seems unnecessary and unfair. We therefore urge you to include such a minimum threshold amount in any final rulemaking that would exempt low or no risk opportunities such as ours from these regulations.

The Proposed Rule would also require businesses to disclose information regarding legal actions existing in the previous ten years. This section of the Proposed Rule sets forth a very broad scope of the litigation activity to be included as part of the disclosure requirements. The rule does not focus on litigation relevant only to the business opportunity transaction nor does it distinguish between cases won, lost, settled, dismissed, or otherwise concluded. This requirement to disclose all legal actions would significantly disadvantage business opportunity providers; even claims or lawsuits found to be frivolous or unsubstantiated could engender negative opinions when viewed by persons looking at the potential



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opportunity. Consequently, the image of reputable companies with little or no history of "true problems" would be threatened unnecessarily. We ask that you amend the Proposed Rule to exclude from the disclosure requirements any legal activity unrelated to the business opportunity transaction, any activity where the company was found to be not guilty or not liable, and any unresolved litigation.

The Proposed Rule addresses earnings claims and calls for substantiation of such claims by business opportunity providers. This section of the Proposed Rule is also quite broad in both its definition of "earnings claims" and the requirements to justify representations made. In its current form, it would be very difficult for our company to meet some of the proposed requirements. Due to the nature of our business, it would not be possible to determine what characteristics influence the earnings of salespersons who achieve certain levels. Direct sellers are active for various lengths of time. While some prosper and sell actively for extended periods of time, others choose to pursue the opportunity only to meet immediate or short term earnings goals. Therefore, it is improbable that any correlation would exist between demographic/geographic factors and earnings levels. We are also concerned this proposed approach will not be effective in preventing business opportunity fraud since it is unlikely fraudulent businesses would provide accurate data that would expose their scheme. In consideration of these comments, we ask that you make amendments to this section of the Proposed Rule to more explicitly define "earnings claims" and to make the disclosure requirements less onerous.

Lastly, the section of the Proposed Rule involving the disclosure of references is problematic. The requirement to provide personal information, including names, addresses and telephone numbers precisely conflicts with current privacy laws. As a result, our company and others would be put in a compromising situation with exposure to privacy lawsuits. Those very lawsuits that may result would then have to be disclosed according to the proposed litigation regulation. Further, the requirement to disclose such information would be a deterrent to the prospective recruits. It is likely that a prospective recruit would decline our direct selling opportunity if he/she had to agree to the eventual release of his/her personal information. The direct seller recruiting process referenced above would also be jeopardized by this disclosure requirement. Specifically, it would not be feasible for our direct selling recruiters to hand a prospective recruit a stack of paper that could be in excess of a 1000 pages listing everyone in the last three years who has entered our business. This would intimidate prospective recruits and be a waste of paper. This disclosure would also require us to provide over 100 million pieces of paper annually to potential recruits. This would be a major economic drain on our company and would counter regulations set forth in the Reduction in Paperwork Act. We would also be generating unnecessary waste because the prospective person would eventually be throwing the information away, especially if they decide to not pursue the opportunity. We therefore urge you to revisit this section of the Proposed Rule and to consider the unreasonable obligations our company and other direct sellers would face under these circumstances.

On behalf of Vector Marketing Corporation, its employees and over 25,000 active independent salespeople nationwide, we thank you again for the opportunity to provide comment in relation to the Proposed Business Opportunity Rule. We urge you to consider our specific views and the enormous burden the new rule would



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place on our company. If you would like, we would be willing to meet with the Commission in person at any time to discuss these ramifications. Further, we urge you to consider the opinions of the Direct Selling Association and the more than 200 companies it represents. Direct selling is a well established method of marketing products directly to the consumer. The adoption of this Proposed Rule in its present form would have a devastating impact on our industry and traditions. We trust the Commission will do what is necessary to protect and preserve the legitimate opportunities that direct sellers provide.

Respectfully,

John Whelpley
President
Chief Operating Officer