

HB

620

## DIRECT SELLING ASSOCIATION

1776 K Street, N.W., Suite 600, Washington, D.C. 20006  
202/293-5760

April 11, 1986

The Honorable Mike Navarre  
State Capitol  
P.O. Box V  
Juneau, Alaska 99811

Dear Chairman Navarre:

I write on behalf of the Direct Selling Association (DSA) with regard to H.B. 620, a bill relating to dealership practices in the State of Alaska. The bill is scheduled for hearing before your committee on Wednesday, April 16. DSA has very serious concerns with the bill which I would like to relate.

Please bear with me while I give you some brief information about our organization. DSA is a national trade association representing some 145 member companies who market their products primarily through personal demonstration and explanation in the home. (A membership roster is enclosed). I'm sure you are familiar with the person-to-person sales and home party-plan marketing methods of our companies. As the industry representative, DSA has worked hand-in-hand with the National Association of Attorneys General, the Federal Trade Commission and other state and local authorities in formulating effective consumer protection policy which serves both the interest of the buying public and the legitimate and reliable businesses which serve them. DSA administers perhaps the nation's strongest consumer code of ethics, a self-regulation program which the White House has lauded as an exemplary example of private sector initiatives. DSA and its member companies are justifiably proud of the leadership position which they have taken in the consumer protection area.

The focus of direct selling's relationship with the consumer is the direct salesperson. These independent contractor salespeople work an average of only a few hours a week making under \$30. A typical direct salesperson is a woman who uses her earnings to supplement the family's regular income. Entry costs into the business are negligible and purchases of mass amounts of inventory are neither required nor encouraged.

H.B. 620 seeks to promote fair business relations between dealers and manufacturers, a laudable goal when applied to situations involving sizeable investments and parties with wildly disproportionate bargaining powers. However, the protections envisioned by H.B. 620 are not necessary or appropriate when applied to direct selling businesses.

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Direct salespeople normally leave the industry when they decide to stop selling. It is vital to the industry that as many people as possible remain as vendors in the marketplace. Thus, manufacturers rarely terminate their sellers, but rather encourage a widespread participation in their marketing plans through no or minimal investments and ease of entry into the business.

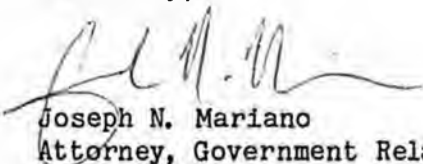
In order to limit the coverage of the bill without gutting its regulations of dealership agreements where appropriate, DSA would suggest that the definition of "dealership" in Section 45.50.750(2) of dealership be amended so as not to include the typical direct selling relationship. Specifically, we would suggest that you consider the following language:

Sec. 45.50.750. DEFINITIONS. In as 45.50.650-45.50.760  
(2) "Dealership" means a business arrangement based on an oral or written agreement, expressed or implied under which the total investment of a person during the first six months of operation of his or her business is \$500 or greater excluding inventory, sales demonstration equipment or materials and operating expenses and under which a person receives from the other party to the agreement the right to . . . (suggested language underlined).

This amendment would be consistent with the Federal Trade Commission Regulations which exempt the type of commercial relationship typified by direct selling and with the language utilized by other states to remove direct sellers from similar legislation. The typical direct selling relationship is not one which should be included within the ambit of H.B. 620, and on behalf of the tens of thousands of direct sellers in Alaska, I urge you to amend the legislation as suggested.

Thank you for your time and consideration in this matter. If you or your colleagues have any questions, I will be happy to discuss the matter in greater detail with you.

Sincerely,

  
Joseph N. Mariano  
Attorney, Government Relations

kak

cc - The Honorable Mike Davis  
The Honorable Red Boucher  
The Honorable Niilo Koponen  
The Honorable Virginia Collins  
The Honorable Alyce Hanley  
The Honorable Drew Pearce

LAW OFFICES OF  
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FILE NUMBER 627/012/080  
DIRECT DIAL 876-3446

March 21, 1986

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By Federal Express

The Honorable Marco A. Pignalberi  
House of Representatives  
State of Alaska  
Pouch V  
Juneau, Alaska 99811

Re: House Bill No. 620

Dear Representative Pignalberi:

As general counsel for Schwinn Bicycle Company, we are writing to express Schwinn's strong opposition to House Bill 620, "An Act regulating certain dealerships." Schwinn is opposed because the terms "dealer", "dealership", "distributor" and "franchisor" are so broadly defined that virtually every selective distribution or authorized dealer relationship in Alaska would be unnecessarily regulated.

Schwinn does not believe that there is any need or justification for this type of broadly inclusive dealership legislation. If legislation is necessary because of some perceived specific problem, the Bill should be limited to covering the affected relationships.

Your office advised us recently that the proponents of the Bill are a group of "franchise owners". As will be discussed below, franchises are different than selective distribution arrangements and should not be regulated together.

Schwinn urges you to withdraw this bill. Alternatively, Schwinn strongly urges you to amend the "Definitions" section of the Bill to limit its applicability to the true or uniform business format franchise relationship. Some suggested definitional language changes are enclosed for your review.

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### Background on Schwinn

As your office advised, concerns apparently have been raised by franchisees located in Alaska. It might be helpful for you to understand how Schwinn operates so that you will be able to better understand how its type of distribution operation differs from that of a franchise (e.g., fast food restaurant).

Like hundreds of other manufacturers of quality products, Schwinn sells its brand name and trademarked products only through about 1800 independently-owned authorized sales and service dealers, seven of which are located in Alaska. All of Schwinn's dealers are free to sell other brands of bicycles and non-bicycle items. The dealers do not pay any fee or royalty to Schwinn and are not required to deal exclusively with Schwinn in return for the right to buy bicycles from Schwinn. The Authorized Dealer Agreement is personal and not assignable or transferable by the dealer.

Schwinn's selective distribution program is a simple buy/sell arrangement and has never been considered to be franchising because: the dealer pays no fee to Schwinn; there is no marketing plan; there is no uniform business format; there is no centralized management by Schwinn; Schwinn neither exerts significant control over, nor provides significant assistance in, its dealer's method of operation; and Schwinn dealers are free to sell competing products. As a result, the Federal Trade Commission, the California Department of Corporations, and the Virginia State Corporation Commission have each issued advisory opinions that Schwinn's selective distribution program is not a franchise.

Schwinn's selective distribution program is typical of hundreds of similar buy/sell arrangements in a variety of industries (e.g., refrigerators, stereos, farm equipment, sewing machines, pianos, lawn mowers, computer equipment, etc.). In those arrangements, the dealer only purchases goods at a bona fide wholesale price for his inventory. For examples of the hundreds of types of authorized dealer programs which are similar to Schwinn's, consult any Yellow Pages directory.

Manufacturers who sell through selective distribution typically represent highly regarded manufacturers in particular industries who desire to sell their quality products to reputable dealers who are willing to provide service to the consumer. Granting the use of a trademark in such a manner for merchandising purposes without charging a fee or royalty has never been found to pose an inherent risk of injury or loss to the investing public. The independent businessman who is the dealer in such a

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relationship bears the burden of the business risk in operating his own store.

In contrast, franchising is characterized by the payment of an initial franchisee fee and/or continuing royalty, and the franchisor's substantial involvement in the franchisee's method of operation whereby the franchisor provides the franchisee with a marketing plan or system on how to sell the franchisor's products or service to the public. The Federal Trade Commission, when it promulgated its Trade Regulation Rule on Franchising and Business Opportunities Ventures (16 C.F.R. Part 436), concluded that the three distinct conceptual characteristics of franchising, "increased potential for success, loss of independence, and a payment of capital to the franchisor by the franchisee," make entering into a franchise "strikingly similar to the purchase of a security." 43 Fed. Reg. at p. 59699 (Dec. 21, 1978). In making this conclusion, the FTC aptly observed:

"Perhaps the most important characteristic that distinguishes franchising from conventional producer-dealer/distributor relationships is the premise that the franchisee's association with the franchisor significantly increases his potential for success and reduces the risk of doing business which attends the independent businessman".

Id. at p. 59698

It is because of these significant differences that all disclosure and almost all relationship laws cover only franchise operations.

### Coverage and Scope of House Bill 620

The "Definitions" section of House Bill 620 broadly covers all types of distribution relationships, including franchises. Section 45.50.750 defines "dealership" as a business arrangement under which a person receives from the other party the right to (1) purchase and resell a product that is manufactured, distributed or imported by the other party, (2) use the trademark, trade name or commercial symbol of the other party in the sale and resale of the products of the other party, and (3) rely on the other party for continued supply of the products of the other party. A "distributor" is defined as a person, other than the manufacturer, who sells, leases or distributes a product to a dealer. A "franchisor" is defined as a person who grants the rights listed in the "dealership" definition. A "dealer" is

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defined as the person who receives the rights listed in the "dealership" definition.

Unlike the franchise laws adopted by other states, House Bill 620 does not include a requirement that the franchisor prescribe a marketing plan or system or that the franchisee pay a franchise fee. As a result of these omissions, this unprecedented definition is so broad that it will regulate not only franchises, but also the myriad of relationships which exist between the hundreds of manufacturers of brand name products and the many more thousands of retailers who are authorized dealers for those products.

In addition, the scope of House Bill 620 is so broad that it would regulate a variety of activities which the courts historically have permitted in distribution relationships where no consideration was paid by a dealer for the right to sell a product line. Courts throughout the country accept the principle that the parties to a distribution relationship can enter into any contractual relationship they wish. House Bill 620 would change existing law as it relates to distribution relationships.

Even worse from a distributor's standpoint, House Bill 620 adopts a statutory approach which has been used by many other states to regulate the dealings between a franchisor and franchisee, where a fee or royalty has been paid. Without justifiable reason, this franchise relationship concept would be applied to selective distribution or authorized dealer programs, where no fee or royalty is involved. As explained above, the situations are not parallel and the reasons, if any, which may exist to justify such restrictions in franchise relationships do not apply to other types of distribution relationships.

### There Is No Need to Regulate Selective Distribution

There is no need to regulate simple buy/sell relationships, such as Schwinn's, where the authorized dealer or distributor does not pay any fee or royalty and is free to sell any kind of competitive products and where the seller does not control how the dealer sells the product to the public. Moreover, none of the proposed restrictions in House Bill 620 make sense in a selective distribution context.

For example, Section 45.50.675 would permit succession to dealership by a designated family member. Because the dealer under a selective distribution program does not pay a fee or any other consideration for the grant of his dealership, there is no

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justifiable reason to require the company granting the dealership to allow that dealer to transfer it to someone else. In Schwinn's situation, if a Schwinn dealer's relationship with Schwinn ended, the dealer could easily continue in business selling bicycles or any other type of product suitable for that location. There are literally hundreds of other brands of bicycles which could take the place of the Schwinn line. The same kind of deficiencies exist with respect to each of the other restrictions imposed by House Bill 620.

Significantly, the absence of any substantial body of law in other states dealing with such relationships confirms the absence of problems in relationships where no investment is involved. Every state legislature which has considered such broad sweeping distribution relationship legislation since 1974 has rejected the need for such laws. Schwinn is not aware of any special circumstances in Alaska that there have been any abuses by manufacturers who sell through selective distribution type of arrangements which would justify this type of legislation.

If adopted, the House Bill 620 will operate to perpetuate existing dealerships without justifiable cause, thereby insulating ineffective business persons from the usual risks associated with the operation of a business which those business persons should rightfully bear. Restricting the ability of a company to select the dealers to whom it wishes to sell is likely to affect adversely the integrity of that company's selective distribution system. It will also likely have a detrimental effect on the other dealers in the system, thereby adversely affecting the reputation of the company. Because there is a limit to the number of authorized dealerships a company can grant, the proposed act would also restrict the opportunities available for the creation of a wholly new dealership for persons who may be better qualified to operate one. Ultimately, the real losers will be the consuming public who may have to deal with ineffective dealers and probably end up having to pay higher prices for the goods sold by that company.

House Bill 620 is also likely to clog the Alaska courts with litigation. It is also anti-competitive because manufacturers who sell their products through selective distribution systems will find themselves at a competitive disadvantage with those manufacturers who have chosen instead to sell to wholesalers who can then indiscriminately resell those products to any retailer they want.

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Schwinn Urges That The Bill Be  
Withdrawn Or Amended

Schwinn strongly believes that this Bill is unnecessary because there have been no demonstrated abuses in the relationships between the hundreds of companies who sell a variety of products through selective distribution and their respective authorized dealers. Schwinn urges you to withdraw House Bill 620.

If you have evidence that there are problems in a particular industry or with a particular type of relationship, Schwinn urges you to amend the Bill to address only that specific problem. If the proponents of this legislation, who we understand are a group of businessmen who are "franchise owners," can prove that there are problems with franchising relationships in Alaska, House Bill 620 should be amended to regulate only those relationships. The fact that the Bill, starting with section 45.50.655 and thereafter, throughout confusingly uses the terms "franchisor" for the seller and "dealership" for the buyer leads us to believe that the bill was not only patterned after a franchise relationship law from some other state but also was intended to regulate only franchise relationships.

If you are going to amend the Bill to limit its coverage to the true or uniform business format franchising area, you would need to delete your definitions of dealership, dealer, distributor and franchisor, and substitute a "franchise" definition containing three elements: trademark identification, a marketing plan or system prescribed by the franchisor, and the payment of a franchise fee.

To assist you in making such an amendment, we are enclosing for your use copies of the California Franchise Relations Act. This Act uses the commonly accepted state definition of "franchise" which would regulate only those persons involved in a true or uniform business format franchise. You should also include the definition of "franchise fee", which clarifies that the purchase of goods of a bona fide wholesale price is not the payment of a franchise fee. The California Franchise Relations Act definition of "franchise" is used by a large number of other states throughout the country.

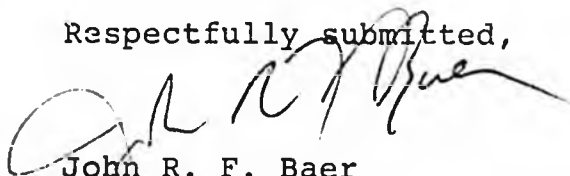
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KECK, MAHIN & CATE

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If you have any questions or if we can be of any further assistance, please feel free to call me.

Respectfully submitted,



John R. F. Baer

cc: House Labor and Commerce Committee  
Schwinn Bicycle Company

(689/X)

INTERNATIONAL FRANCHISE ASSOCIATION  
STATEMENT IN OPPOSITION TO H.B. 620  
APRIL 16, 1986

The International Franchise Association

The International Franchise Association (IFA), a trade association representing more than 600 companies which use franchising as a method of conducting their business, has served as the voice of the franchising community since 1960. We take a special interest in laws and regulations governing business format franchising. IFA and its members strongly oppose H.B. 620.

Franchising's Balance of Interest

Distribution of goods and services through franchising represents a vital segment of Alaska's economy. The most recent figures available from the U.S. Department of Commerce indicate that in 1983 there were over 550 franchised businesses in Alaska. Fully one-third of all retail sales nationwide are made by franchised businesses. Inasmuch as franchising by its nature promotes the establishment of new small businesses and jobs, its health should be of vital concern to members of the Alaska legislature.

The genius of franchising lies in its careful balance of business interests; franchisees remain independent businessmen afforded an opportunity to enter a proven business and enjoy the advantages of being part of a larger system; franchisors build the strength of their trademark and image through growth unavailable by conventional means of expansion and receive royalty income from their franchisees as the system grows.

This balance is struck in the contract signed by both the franchisor and franchisee which sets forth their respective rights and obligations. The terms of these contracts vary from one franchisor to the next according to the design of their franchise systems. Members of the International Franchise Association

range from Hilton Hotels, to Century 21 Real Estate, to McDonald's, to H & R Block, to Western Auto Supply, to Holiday Inns. Each system is unique.

#### H.B. 620

H.B. 620 would provide for a pervasive and intrusive form of substantive regulation of franchising without regard for the variation among franchisors. The bill would undermine franchisors' ability to tailor franchise agreements according to the needs of their systems.

The bill seriously impairs the ability of ALL franchisors to enforce uniform standards of products and services -- the very essence of franchising.

The bill forbids franchisors from terminating or failing to renew a franchise agreement except for "good cause."

The sweeping definition of "good cause" in the bill injects a complex and unpredictable legal component into those business judgements critical to the vitality of a franchisee system. Decisions regarding termination and non-renewal would trigger a legal minefield.

#### The Burden on the Courts

Because key provisions of this bill are at once novel, broad, and vague, it will have many unforeseen effects. But the very indefiniteness of its terms makes one impact crystal-clear: Enactment of the bill will spawn a significant new legal speciality, lucrative no doubt to lawyers, but a severe burden on already burdened state courts. Reviewing the bill, one can readily note the question that will bedevil the courts for years; to what extent and under what circumstances is "good cause" for termination or non-renewal the same as or consistent with the breach of substantive contract provision? When and to what extent is it different?

One can be confident that this question, and myriad variations of it, will be litigated over and over. Franchisees would be granted substantial incentives to litigate every termination or non-renewal -- they can obtain damages and injunctive relief. The vagaries of the bill may well mean that lawyers would be the primary beneficiaries of its implementation.

#### H.B. 620 is Unnecessary

To justify radical legislative action like this proposal, a showing must be made that there is systematic problem. What public policy need justifies H.B. 620 and the burdens it imposes on franchisors, the courts, and the freedom of contract? The answer is clear -- there is no need, the bill is quite unnecessary.

According to the U.S. Department of Commerce information about termination, non-renewal, and transfer activity in franchising for the year 1984:

- Of the 15,354 franchise agreements up for renewal, 90 percent were renewed; of those not renewed, 63 percent were at the initiative of the franchisee or by mutual consent.
- Of the 357,335 franchisee-owned outlets, only 6,615 -- or 1.8 percent -- were terminated. A clear majority of those contracts terminated -- 60 percent -- were at the initiative of the franchisee or by mutual consent.

#### H.B. 620 is Anti-Consumer

The cornerstone of franchising's success is the maintenance of a specified consistent level of quality in the delivery of the franchised product or service by all franchisees. The reputation of each franchisee with the consuming public is directly affected by the perceived level of quality of operations of each and every other franchisee. A consistent level of quality is clearly in the consumer's interest.

The franchisor must have the authority to demand and maintain this consistent level of quality throughout its franchised system and in each and every franchised outlet, as well as the authority to remove in a timely manner from its franchised system any franchisee that does not maintain minimum quality standards as called for and agreed to in the franchise contract. H.B. 620 would prohibit franchisors from terminating substandard franchises without a three-month notice period exposing the public to substandard conditions and service in the interim.

#### Franchisees are Protected by Existing Law

Franchisees are already afforded protection through extensive pre-sale disclosure requirements. Under the Federal Trade Commission Trade Regulation Rule on Franchising, franchisors must deliver a disclosure document at least 10 days prior to the execution of the contract. The disclosure document must include, among other things, information relating to the obligation of the parties upon termination or non-renewal of the franchise and the numbers of any terminations and non-renewals which have occurred in the system.

#### Business Format Franchises v. Dealerships

It is important to note the distinct differences between business format franchisors, such as the companies represented by IFA, and dealership product distribution arrangements. One key difference is that the typical franchise agreement has a duration of 15-20 years while most dealerships are fairly short term arrangements. Attached is a chart which compares and contrasts the two distinctly different arrangements, both of which are covered by H.B. 620.

Conclusion

Passage of H.B. 620 would interfere with franchisors' ability to enforce their agreement and be destructive to all franchise systems now operating in Alaska. Franchisors able to expand by establishing vertical integrated, company-owned stores would be likely to do so in order to avoid the interference and inflexibility of H.B. 620. Other franchisors deterred from franchising would choose not to offer new franchise opportunities to Alaska citizens. For these reasons, the International Franchise Association urges members of the Labor and Commerce Committee to reject H.B. 620.

## COMPARISON OF BUSINESS FORMAT FRANCHISES AND DEALERSHIPS

### Business Format Franchises

- \* Payment of fee for right to use franchisor's trade and service marks.
- \* Franchisor provides comprehensive, on-going marketing and operational assistance.
- \* Franchisee contracts with single franchisor.
- \* Franchisor creates format for the franchisee's sale of products and/or services. Franchisor generally not the manufacturer of products.
- \* Franchisor's profit derived primarily from royalties based upon gross sales of franchisee.
- \* Requires some form of franchise fee, other than from sales of products at a bona fide wholesale price within six months of commencing operation.
- \* Disclosures and written contracts identify all material aspects of arrangement, including termination, nonrenewal, transfer, purchase of obligations, litigation history - before relationship commences.

### Dealerships

- \* Pays for products at wholesale and resells at retail.
- \* Marketing assistance limited to basic information regarding product, warranty procedures and advertising materials.
- \* Product may be one of many sold by dealer.
- \* Dealership is designed primarily or exclusively to sell products made by manufacturer; substitute products may not be marketed under manufacturer's name.
- \* Manufacturer's profit derived exclusively from products it sells to dealer. No royalty involved.
- \* Only payments made to manufacturer or its affiliates within first six months of establishment of business are for inventory purchased at a bona fide wholesale price.
- \* May not have written contract. No obligation to explain terms, conditions and company history.

Herb Heller

SUGGESTED AMENDMENT TO H.B. 620

Sec. 45.50.740 EXEMPTION. AS 45.50.650 - 45.50 760 do not apply to a lease covered by AS 45.50.800 - 45.50 850. or to franchises covered by the Federal Trade Commission Trade Regulation Rule entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures, 16 C.F.R. 436.1 et. seq.

ny st.

p. 9 ws 12-22

- (g) To sell or offer to sell any new motor vehicle to any franchised motor vehicle dealer at a lower actual price therefor than the actual price offered to any other franchised motor vehicle dealer for the same model vehicle similarly equipped or to utilize any device including, but not limited to, sales promotion plans or programs which result in such lesser actual price. Provided, however, the provisions of this paragraph shall not apply to sales to a franchised motor vehicle dealer for: (i) resale to any unit of government; or (ii) donation or use by said dealer in a driver education program. This paragraph shall not be construed to prevent the offering of incentive programs or other discounts if such discounts are available to all franchised motor vehicle dealers in this state on a proportionately equal basis.
- (h) To sell or offer to sell any new motor vehicle to any person, except a distributor, at a lower actual price therefor than the actual price offered and charged to a franchised motor vehicle dealer for the same model vehicle similarly equipped or to utilize any device which results in such lesser actual price.

STATE OF ALASKA  
THE LEGISLATURE

POLCHY STATE CAPITOL  
JUNEAU ALASKA 99801  
907-465-1800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 19, 1986

SUBJECT: Sectional analysis of HB 620  
TO: Representative Marco Pignalberi  
FROM: Theresa L. Bannister *TLB*  
Legislative Counsel

This memo contains the sectional analysis that you requested for HB 620.

Section 1 presents the findings and purpose of the bill.

Section 2 contains the main provisions of the bill.

Sec. 45.50.650 establishes the criteria and procedures for the establishment or relocation of a dealership.

Sec. 45.50.655 allows a franchisor under certain conditions to condition the renewal or extension of a dealership on the dealer substantially renovating the place of business of the dealership or constructing, purchasing, acquiring or leasing a new place of business for the dealership.

Sec. 45.50.660 allows a franchisor to terminate, refuse to renew or fail to renew a dealership for good cause if the franchisor satisfies certain notification requirements.

Sec. 45.50.665 provides for the continuation of the operation of existing dealerships under a newly appointed distributor if the existing distributor is terminated, unless the new distributor and a dealer agree otherwise.

Sec. 45.50.670 establishes the compensation to be paid by the franchisor to a terminated or nonrenewed dealer, whether the termination or nonrenewal is for good cause or without good cause. Requires a dealer to take reasonable steps to mitigate the damages arising from termination or nonrenewal without good cause. Provides that franchisor does not have

Representative Maico Pignalberi

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to provide the required compensation if the dealer acted illegally or fraudulently in the procurement or operation of the dealership.

Sec. 45.50.675 establishes the procedures and rights involved for a dealer to designate a family member to take over the dealership at the death or incapacity of the dealer.

Sec. 45.50.680 prohibits the franchisor, or the manufacturer, distributor, subsidiary or agent of the franchisor, from engaging in the listed trade practices.

Sec. 45.50.685 prohibits a franchisor, or the manufacturer or distributor of the franchisor, from requiring a dealer to act as its agent in certain situations.

Sec. 45.50.690 prohibits the franchisor, or the manufacturer or distributor of the franchisor, from requiring a dealer to sell, assign, or transfer sales installment contracts to finance companies specified by the franchisor.

Sec. 45.50.695 establishes the procedures and rights of a franchisor, or the manufacturer or distributor of the franchisor, and a dealer for compensating the dealer for labor, parts, and other expenses incurred by the dealer to comply with the warranty agreements of the franchisor, manufacturer, or distributor.

Sec. 45.50.700 establishes the remedy for a person who is injured by a violation of the provisions of section 2 of the bill.

Sec. 45.50.705 a civil action allowed under Sec. 45.50.700 must be brought by the injured party within four years after discovering the violation.

Sec. 45.50.730 prohibits a person from waiving the provisions of section 2 of the bill.

Sec. 45.50.740 exempts a lease under the Alaska Gasoline Products Leasing Act from the coverage of section 2 of the bill.

Sec. 45.50.750 defines the terms used in section 2 of the bill.

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Sec. 45.50.760 establishes a short title for section 2 of the bill.

Section 3 applies section 2 of the bill to dealerships entered into or renewed after the effective date of the Act.

Section 4 describes how the bill amends the court rule dealing with injunctions.

TL:mkr  
M3:051



# WHO'S WHO IN DIRECT SELLING

DIRECT SELLING ASSOCIATION • 1776 K ST. N.W. WASHINGTON, DC 20006 • 202/293-5760

ACTIVE MEMBER COMPANIES AS OF FEBRUARY 27, 1986

**Act II Jewelry, Inc.**

(1)  
101 Leland Court  
Bensenville, IL 60106  
John E. Kiple  
312-860-3323  
Jewelry - fashion and fine

**Alcas Cutlery Corporation-  
CUTCO**

(2)  
1116 East State Street  
P.O. Box 810  
Olean, NY 14760-0810  
Erick J. Laine  
716-372-3111  
Cutlery/cookware/tableware

**Alfa Metalcraft Corporation  
of America**

(1)  
7970 Bayberry Road  
Suite 10  
Jacksonville, FL 32216  
Terrence Fredricks  
904-731-8200  
Cookware

**America's Buyers, Inc.**

(2)  
339 East 16 Street  
Holland, MI 49423  
Jack Stewart  
616-392-7141  
Buyer's club

**American Dream Interna-  
tional Inc.**

(2)  
9500 Doe Avenue  
Pasadena, CA 93291  
Donald L. Thompson  
209-651-3700  
Cosmetics - skin, hair  
and health

**Amway Corporation**

(2)  
7575 East Fulton Road  
Ada, MI 49355  
Jay Van Andel  
616-676-6000  
Household, personal/  
homecare, nutrition,  
catalog

**Arbonne International,  
Inc.**

(2)  
22541 Aspen Drive  
El Toro, CA 92630  
Petter Morek  
714-770-2610  
Cosmetics, skin care

**Avacare, Inc.**

(1)  
9200 Carpenter Freeway  
Dallas, TX 75247  
Clinton H. Howard  
214-638-7686  
Cosmetics - skin, hair  
and health care products

**Avon Products, Inc.**

(2)  
Nire West 57 Street  
New York, NY 10019  
Paul B. Markovits  
212-546-6015  
Cosmetics and jewelry

**Basket People home Parties  
Ltd.**

(1)  
P.O. Box 238  
Taftville, CT 06380  
David L. Phipps  
203-886-1404  
Decorative accessories -  
wicker products

**BeautiControl Cosmetics,  
Inc.**

(1)  
3311-400 Boyington  
P.O. Box 815189  
Dallas, TX 75381-5189  
Richard W. Heath  
214-458-0601  
Cosmetics

**Brite Music Enterprises,  
Inc.**

(1) (2)  
Box 9191  
Salt Lake City, UT 84109  
W. Edward Brady  
801-487-5891  
Children's song books,  
cassettes, records

**Don-Shoe Company**

7311 Alum Creek Drive  
Columbus, OH 43209  
Robert J. Kaynes, Jr.  
614-252-0967  
Baby shoe bronzing

**Cameo Coutures, Inc.**

(1)  
9004 Ambassador Row  
Dallas, TX 75247  
J. Stanley Fredrick  
214-631-4860  
Clothing - lingerie,  
bras, loungewear

**Cattani California**

(1)  
5448 Satsuma  
North Hollywood, CA  
91609  
Ladan Cattani  
818-509-0728  
Clothing - lingerie and  
loungewear

**Ceres Cosmetics, Inc.**

(1)  
Division of Nutri-detics  
International, Inc.  
19501 East Walnut Drive  
City of Industry, CA  
91749  
Beverly Walter  
714-598-1831  
Cosmetics - skin care  
and glamour

**Cernitin America, Inc.**

(2)  
125 Dayton Street  
P.O. Box 740  
Yellow Springs, OH  
45387  
David W. Allen  
513-767-7281  
Food supplements, skin  
and personal care  
products

Chambre' Cosmetic Corpora-  
tion  
(1)  
1200 Network Boulevard  
San Antonio, TX 78249  
Royce Britt  
512-694-0846  
Cosmetics, food supplements

Chlon International, Inc.  
(1)  
19512 Livernois Avenue  
Detroit, MI 48221  
Arthur A. Attaway  
313-862-5851  
Perfume

Computerized Buying Net-  
work, Inc.  
(2)  
P.O. Box C-32035  
Richmond, VA 23261  
William T. Hunt  
804-784-3413  
Buying club

Concept Now Cosmetics  
(1)  
14000 Anson Street  
Santa Fe Springs, CA  
90670  
Warren B. Southworth  
213-921-0534  
Cosmetics

Consumer Express, Inc.  
(1)  
One Lakashore Drive  
Suite 1580  
Lake Charles, LA 70629  
David P. Bertrand  
318-474-0505  
Cosmetics, household and  
health food products

Contempo Fashions  
(1)  
6100 Broadmore  
Shawnee Mission, KS 66202  
Audrey Deryn  
913-262-7407  
Jewelry and accessories

The Creative Circle  
(1)  
15777 South Broadway  
Gardena, CA 90248  
George H. Karlin  
213-327-1931  
Craft - needlecraft kits

Debbie Howell Cosmetics  
(1) (2)  
8650 South Lafayette  
Chicago, IL 60620  
Deborah Howell  
312-874-5504  
Cosmetics

Diamite Corporation  
(1)  
131-D Albright Way  
Los Gatos, CA 95030  
Rudy Revak  
408-866-7100  
Nutritional, personal care  
and fashion jewelry

Discovery Toys, Inc.  
(1)  
400 Elinwood Way  
Suite 300  
Pleasant Hill, CA 94523  
Lane Nemeth  
415-680-8697  
Toys - educational, books  
and games

Doncaster  
(1)  
Box 1159  
Rutherfordton, NC 28139  
Michael S. Tanner  
704-287-4205  
Clothing - ladies dresses,  
coats, outer/sportswear

Dudley Products Company  
(2)  
3704 Old Battleground Road  
Greensboro, NC 27410  
Joe Louis Dudley, Sr.  
919-282-0570  
Cosmetics

Elan de Marlow  
(1)  
3914 Sandshell  
Ft. Worth, TX 76137  
Penny Marlow  
817-232-9612  
Cosmetics

Electrolux Corporation  
(2)  
3003 Summer Street  
Stamford, CT 06905  
Steven D. Cooper  
203-359-3600  
Vacuum cleaners/floor  
polishers and  
attachments

Elys'ee Scientific  
Cosmetics  
(1)  
6804 Seybold Road  
Madison, WI 53719  
Linda R. Marshall  
608-271-3664  
Cosmetics

Emma Page Jewelry, Ltd.  
(1)  
2201 Northland Drive  
Austin, TX 78756  
Alan Smith  
512-451-0988  
Jewelry

Encyclopaedia Britannica,  
Inc.  
(2)  
Britannica Centre  
310 South Michigan Avenue  
Chicago, IL 60604  
Peter B. Norton  
312-347-7000  
Educational publications,  
films

Fashion Dynamics  
(1) (2)  
1155 Triton Drive  
Suite D  
Foster City, CA 94404  
Janice A. Solis  
415-571-7766  
Health/body care,  
cosmetics, jewelry,  
toys/collectibles

Fashion Two Twenty, Inc.  
(1)  
1263 South Chillicothe  
Road  
Aurora, OH 44202  
Barbara N. Hart  
216-562-5111  
Cosmetics

Freedom Marketing Corpora-  
tion  
(2)  
825 North Cass Avenue  
Suite 311  
Westmont, IL 60559  
Norman P. Wolff  
312-325-0009  
Food supplements and  
weight loss products

The Fuller Brush Company  
(2)  
2800 Rock Creek Parkway  
Suite 400  
North Kansas City, MO  
64117  
L. D. Dunlap  
816-474-1754  
Household cleaners,  
industrial cleaning  
products

Gold and Silver Interna-  
tional  
(2)  
10535 Foothill Boulevard  
Suite 294  
Rancho Cucamonga, CA  
91730  
Richard Holliday  
714-865-6651  
Gold and silver ingots

Golden Prie, Inc.  
(2)  
2628 Park Street  
Lake Worth, FL 33460  
Harry W. Hersey  
305-586-7778  
Health and beauty aids

Great American Health &  
Nutrition, Inc.  
(2)  
P.O. Box 6710  
Fullerton, CA 92631-6710  
Edward D. Paul  
714-441-0788  
Food supplements, skin  
care products

Grolier Incorporated  
(2)  
Sherman Turnpike  
Danbury, CT 06816  
Keith George  
203-797-3500  
Educational publications

The Hanover Shoe, Inc.  
(2)  
118 Carlisle Street  
Hanover, PA 17331  
Thomas W. Dempsey  
717-637-6631  
Shoes - men's and women's

Health-Mor Inc.  
(2)  
151 East 22 Street  
Lombard, IL 60148  
John M. Licht  
312-953-9770  
Vacuum cleaners/Filter  
Queen

Herbalife International  
(2)  
9800 La Cienega Boulevard  
P. O. Box 80210  
Los Angeles, CA 90009  
George E. Betts  
213-410-9600  
Weight control food  
products

Highlights For Children,  
Inc.  
(2)  
2300 West Fifth Avenue  
P.O. Box 269  
Columbus, OH 43216  
Garry C. Myers III  
614-486-0631  
Educational publications -  
magazines

Home Interiors & Gifts,  
Inc.  
(1)  
4550 Spring Valley Road  
Dallas, TX 75234  
Mary C. Crowley  
214-386-1000  
Decorative accessories

Hostess Choice  
(1)  
3201 E. Pioneer Parkway  
#19-21, P.O. Box 121284  
Arlington, TX 76012  
Gary J. McDonald  
817-649-2505  
Decorative accessories,  
cleaners, food seasoners

House of Lloyd, Inc.  
(1)  
11901 Grandview Road  
Grandview, MO 64030  
Harry J. Lir, Jr.  
816-763-7272  
Toys, gifts, Christmas  
decorations

Ideal Products, Inc.  
(2)  
1010 Southeast Everett  
Mall Way  
Suite 229  
Everett, WA 98204  
Steven G. Kocher  
206-347-4744  
Weight control/food  
supplement

Jafra Cosmetics, Inc.  
(1)  
P.O. Box 5026  
Westlake Village, CA  
91359  
Ronald B. Clark  
805-496-1911  
Cosmetic - skin care

The Kirby Company  
(2)  
1920 West 114 Street  
Cleveland, OH 44102-2391  
R. Scott Mahoney  
216-228-2400  
Vacuum cleaners

Kitchen Fair  
(1)  
1090 Redmond Road  
P.O. Box 100  
Jacksonville, AR 72076  
Gary R. Stephen  
501-982-7446  
Cookware, kitchen acces-  
sories and decorative  
accessories

Lady Finelle Cosmetics  
(1)  
137 Marston Street  
P.O. Box 5200  
Lawrence, MA 01842-2808  
Dorothy L. Feigenbaum  
617-682-6112  
Cosmetics and skin care  
products

Lady Love Cosmetics, Inc.  
(1)  
2001 Walnut Hill Lane  
P.O. Box 152015  
Irving, TX 75015-2015  
E. Don Lovelace  
214-255-5444  
Cosmetics and skin care  
products

Laura Lynn Cosmetics, Inc.  
(1)  
5300 Beethoven Street  
Los Angeles, CA 90066  
Betty Jo Toccoli  
213-306-4540  
Cosmetics/skin care/color  
by season consultation

Learner's World  
(1)  
6151 West Century  
Boulevard  
Suite 400  
Los Angeles, CA 90045  
Michael Hawker  
213-641-9645  
Toys

Learnex Ltd., Inc.  
(1)  
89 Saw Mill River Road  
Elmsford, NY 10523  
Anne McPherson  
914-592-1770  
Publications - children's  
cassettes/books/ed.  
toys

Lucky Heart Cosmetics,  
Inc.  
(2)  
138 Huling Avenue  
Memphis, TN 38103  
Paul Shapiro  
901-526-7658  
Cosmetics and jewelry

Magik Maid  
(2)  
P.O. Box 1611  
Flint, MI 48501  
Dan'l N. Gage  
313-239-7677  
Personal care products

Mary Catherine, Inc.  
(1)  
601 East Biddison  
Box 11401  
Fort Worth, TX 76109  
Mary L. Beadles  
817-927-8408  
Clothing, semi-precious  
jewelry

Mary Kay Cosmetics, Inc.  
(1)  
8787 Stenmons Freeway  
Dallas, TX 75247  
Monty C. Barber  
214-630-8787  
Cosmetics

Mason Shoe Manufacturing  
Company  
(2)  
1251 First Avenue  
Chippewa Falls, WI 54729  
William M. Scobie  
715-723-1871  
Shoes - men's and women's

McConnon & Company  
(2)  
McConnon Drive  
Winona, MN 55987  
Vilas W. Rogers  
507-452-2910  
Household products/animal/  
health/insecticide

Mega-Trend, Inc.  
(2)  
309 East Maxwell  
P.O. Box 1748  
Lakeland, FL 33602  
Roy Fisher  
813-688-7423  
Decorative and houseware  
products

Miracle Maid  
(1)  
P.O. Box C-50  
Redmond, WA 98052  
Philip Lindquist  
206-881-6171  
Cookware

Neo-Life Company of America  
(1) (2)  
25000 Industrial Boulevard  
P.O. Box 5015  
Hayward, CA 94540  
Gregory A. Pickett  
415-786-3401  
Household products/  
vitamins/minerals/food/  
water

Noevir, Inc.  
(1)  
1095 Southeast Main Street  
Irvine, CA 92714  
Wesley H. Miyahara  
714-660-1111  
Cosmetics

Nutri-Metics Interna-  
tional, Inc.  
(1) (2)  
19501 East Walnut Drive  
City of Industry, CA  
91749  
Mulford J. Nobbs  
714-598-1831  
Cosmetics, food suppl-  
ements, bras

Oriflame Corporation  
(1)  
76 Treble Cove Road  
North Billerica, MA 01862  
Peter Nawrocki  
617-663-2700  
Cosmetics - European skin  
care

Partylite Gifts  
(1)  
Building 16  
Cordage Park  
Plymouth, MA 02350  
Ruben G. Deveau  
617-775-2500  
Decorative accessories/  
giftware

Perfume Originals  
(1)  
Division of Karisma  
Marketing, Inc.  
45 West 34 Street  
New York, NY 10001  
Philip D. Forte  
212-695-9474  
Fragrances and related  
products

Personal Resource System  
Inc.  
(2)  
10010 Mesa Rim Road  
San Diego, CA 92121-2912  
Andre T. Papageorge  
619-587-9595  
Personal organization/time  
management system

Pola U.S.A. Inc.  
(1) (2)  
250 East Victoria Avenue  
Carson, CA 90746  
Yoji Iwama  
213-770-6000  
Cosmetics

Princess House, Inc.  
(1)  
455 Somerset Avenue  
North Dighton, MA 02764  
Robert J. Haig  
617-823-0713  
Decorative accessories -  
crystal

Queen's-Way to Fashion,  
Inc.  
(1)  
2500 Crawford Avenue  
Evanston, IL 60201  
Robert W. Williams  
312-492-1400  
Clothing - women's

The W.T. Rawleigh Company  
(1) (2)  
223 East Main Street  
Freeport, IL 61032  
P. Douglas McMillan  
815-232-4161  
Household products-foods/  
cleaning/medicine/pet

Regal Ware, Inc.  
(2)  
1675 Reigle Drive  
Kewaskum, WI 53040  
Gilbert D. Flocker  
414-626-2121  
Cookware

Rena-Ware Distributors,  
Inc.  
(2)  
P.O. Box C-50  
Redmond, WA 98052  
Philip Lindquist  
206-881-6171  
Cookware

Rickshaw Imports  
(1)  
800 North Edgewood Avenue  
Wood Dale, IL 60191  
Madolyn J. Schwartz  
312-860-5452  
Decorative wicker  
accessories

Rose Joyce Cosmetics  
Corporation  
(1)  
1706 Hawkins Drive  
South Hampton, PA 18966  
Rose Joyce Zacharko  
215-355-5888  
Cosmetics

Royal American Food Company  
(1) (2)  
24307 East 4th Highway  
P.O. Box 1000  
Blue Springs, MO 64015  
Hugh E. Clemons  
816-229-1000  
Food - whey-based/dehydrated

Royal Designs Inc.  
(1)  
1710 Firman Drive  
Suite 100  
Richardson, TX 75081  
Keith Harding  
214-480-0055  
Jewelry

Saladmaster, Inc.  
(2)  
131 Howell Street  
Dallas, TX 75207  
Keith L. Peterson  
214-742-2222  
Cookware/tableware

SASCO Cosmetics, Inc.  
(1)  
2151 Hutton Drive  
Carrollton, TX 75006  
Jack W. Shuford  
214-484-3950  
Cosmetics - personal care  
(primarily Aloe Vera)

Shaklee Corporation  
(1) (2)  
Shaklee Terraces  
444 Market Street  
San Francisco, CA 94111  
Richard Perry  
415-954-3000  
Food supplements/foods/  
personal care products

Society Corporation  
(1)  
1609 Kilgore Avenue  
Muncie, IN 47304  
Foster D. Adams  
317-289-3318  
Cookware, china, crystal

The Southwestern Company  
(2)  
P.O. Box 820  
Nashville, TN 37202  
Jerry Heffel  
615-790-4000  
Educational publications

Stankone Inc.  
(1)  
333 Western Avenue  
Westfield, MA 01085  
Bill Tower  
413-562-3631  
Household cleaning products and good grooming aids

STEP's Adventures with the 3R's  
(2)  
P.O. Box 887  
Mukilteo, WA 98275  
R. Donald Morgan  
206-355-9830  
Educational programs-reading/math/perceptual tasks

Sterling Health Services Corporation  
(2)  
3900 South Florida Avenue  
P.O. Box 6500  
Lakeland, FL 33807  
Joseph Palmese  
813-644-7581  
Health appraisals-custom, food supplements

Sybil's  
(1) (2)  
9034 Natural Bridge Road  
St. Louis, MO 63121  
Fraeda Kopman  
314-426-2100  
Jewelry and fragrances

Tiara Exclusives  
(1)  
717 E Street  
Dunkirk, IN 47336  
Robert J. Staab  
317-768-6789  
Decorative accessories - glassware

Time-Life Books, Inc.  
(2)  
777 Duke Street  
Alexandria, VA 22314  
Terrence J. Furlong  
703-838-7000  
Educational publications

Tomorrow's Treasures, Inc.  
(2)  
111 North Glassboro Road  
Woodbury Heights, NJ 03097  
George W. Braun  
609-468-5656  
Photo albums, photography, cameras

Tri-Chem, Inc.  
(1)  
One Cape May Street  
Harrison, NJ 07029  
Walter Powers  
201-482-5500  
Craft products - liquid embroidery paint

U.S. Safety & Engineering Corporation  
(2)  
2365 El Camino Avenue  
Sacramento, CA 95821  
H. Wayne Boyd  
916-482-8888  
Security systems - fire/burglar

United Consumers Club, Inc.  
(2)  
8450 South Broadway  
Merrillville, IN 46410  
Fred A. Wittlinger  
219-736-1100  
Buyers service

United Laboratories of America, Inc.  
(2)  
1526 Fort Worth Avenue  
P.O. Box 4499, Station A  
Dallas, TX 75208  
Bill Sparks  
214-741-4461  
Photo albums/Bibles/books, photo enlargements

Vita Craft Corporation  
(2)  
11100 West 58 Street  
P.O. Box 3129  
Shawnee, KS 66203  
L. Dale Ashley  
913-631-6265  
Cookware/china/crystal/  
tableware/cutlery

Vorwerk USA, Inc.  
(1) (2)  
528 South Northlake  
Boulevard  
Altamonte Springs, FL 32701  
Hans J. Gerber  
305-339-8321  
Housewares - carpet and floor care equipment

Watkins Incorporated  
(1) (2)  
150 Liberty Street  
Winona, MN 55987  
Richard C. Wantock  
507-457-3300  
Household - food/health/  
cleaning products

The West Bend Company  
(2)  
400 Washington Street  
West Bend, WI 53095  
Dale A. Hafeman  
414-334-2311  
Cookware and electrical  
appliances

World Book, Inc.  
(2)  
510 Merchandise Mart  
Plaza  
Chicago, IL 60654  
Harold M. Ross  
312-245-3456  
Educational publications

World Odyssey  
(1)  
2200 East Venango Street  
Philadelphia, PA 19134  
Richard Mandel  
215-535-0111  
Rattan, wicker, basketware  
and floral arrangements

Yanbal Laboratories, Inc.  
(1)  
91-31 Queen's Boulevard  
Suite 218  
Elmhurst, NY 11373  
Fernando Belmont  
718-458-2221  
Cosmetics and skin care  
products

Younique Creations  
(1)  
6100 Broadmoor, Box 29147  
Mission, KS 66202  
Nicholas A. Santino  
913-262-7400  
Crafts - silk flower  
arrangements

Zondervan Book of Life  
(2)  
P.O. Box 6130  
Grand Rapids, MI 49506  
Rex Jones  
616-459-7295  
Educational publications

#### MEMBERSHIP INFORMATION:

According to the bylaws of the Direct Selling Association, those eligible for active membership are persons or firms manufacturing or dealing in merchandise intended ultimately to reach the consumer through an in-person contact, as distinguished from sales contacts made by mail or in stores of the seller. An active member must also have a business location in the United States.

#### DISTRIBUTION METHOD CODE:

Following each company is a numerical code which indicates the primary method of direct selling used by the company. (1) represents party-plan sales, and (2) represents person-to-person sales.

#### EXECUTIVE CONTACT:

The person designated under each company listing is the EC (executive contact). This is the individual in the member company designated as the liaison to DSA.



**DIRECT SELLING ASSOCIATION**

1700 North West Street • Washington, D.C. 20001  
(202) 462-1000



## INTERNATIONAL FRANCHISE ASSOCIATION

April 11, 1986

Representative Mike Navarre  
Alaska House of Representatives  
P.O. Box V  
Juneau, Alaska 99811

Dear Representative Navarre:

I am writing to you regarding House Bill No. 620, reference title "Dealership Protection Act," on behalf of the International Franchise Association, a trade association representing more than 600 franchisors ranging from Hilton Hotels to Century 21 Real Estate, to McDonald's, to H & R Block, to Western Auto Supply, to Roto Rooter. IFA has served as a spokesman for franchising since 1960. Our members have serious concerns with the current language of H.B. 620, which I understand will be heard by the Labor and Commerce Committee on April 16, 1986.

Although the thrust of H.B. 620 appears to be directed primarily at distributor-dealer relationships, commonly used to sell products such as gasoline and automobiles, the language used would also regulate business-format franchisors -- those businesses represented by the International Franchise Association.

Unlike the so-called "product distribution" franchises, where manufacturers and/or distributors sell products to dealers for resale, business-format franchisors do not sell products to their franchisees. Indeed, under state and federal antitrust law, it is generally considered an illegal "tie-in" for a franchisee to be required to purchase inventory from a franchisor. Business-format franchisors sell a system for marketing goods and services and license franchisees to use their trade and service marks. Franchisors' profit does not come from the sale of products, but from royalties based on franchisees' sales.

There are other significant differences between product distribution arrangements and business-format franchising. Product dealership agreements are generally of very short term -- far less than the 15 and 20 year duration typical of franchise agreements. Moreover, unlike automobile manufacturers and petroleum distributors, business-format franchisors are required under federal law to make extensive pre-sale disclosures to prospective franchisees. Pursuant to a Federal Trade Commission Rule, franchisors must disclose to the prospective franchisee through an offering circular and written contracts all material aspects of the arrangement, including termination, non-renewal, transfer, and litigation history before the relationship commences.



It is also important to note that there is no evidence of abuse by business-format franchisors which would justify this legislation. According to United States Department of Commerce figures for 1984, of the 357,335 franchisee-owned outlets nationwide, only 1.8 percent were terminated. A clear majority of those contracts terminated (63 percent) were at the franchisee's initiative or by mutual consent; of the 15,354 agreements up for renewal, 90 percent were renewed; of those not renewed, 60 percent were at the initiative of the franchisee or by mutual consent.

As it is currently written, H.B. 620 would be very harmful to business-format franchise systems now operating in Alaska. Franchisors able to expand by establishing vertically-integrated company-owned stores would be likely to do so in order to avoid the interference and inflexibility of H.B. 620. Franchisors not now doing business in Alaska would be deterred from offering new small business opportunities through franchising in the state.

I would urge you and the members of the House Labor and Commerce Committee to reject H.B. 620 when you consider it next week.

Yours truly,



Herbert A. Hedden  
Assistant Director of  
Government Relations

HAH/tt  
Enclosures

April 11, 1986

Michael L. Lundeford, VICE PRESIDENT, PUBLIC AFFAIRS

The Honorable Mike Navarre  
Chairman  
Labor and Commerce Committee  
P.O. Box V  
Juneau, Alaska 99811

Dear Chairman Navarre:

On behalf of Mary Kay Cosmetics and the Mary Kay Beauty Consultants who sell its products in Alaska, I wish to register our concerns about H.B. 620. First, I wish to acquaint you with Mary Kay and its marketing plan.

Our Company manufactures skin care and glamour products and distributes them in interstate commerce. Our marketing concept is the "party plan" sales program. In this program, our cosmetics are sold by independent contractors, whom the Company calls "Beauty Consultants." A hostess, frequently a neighbor or friend of the Beauty Consultant, arranges for a "Beauty Show," to be held in her home which is attended by five or six of her invited guests. The Beauty Consultant attends by invitation of the hostess, demonstrates the products and may take orders from the persons in attendance.

As you can appreciate, these independent Mary Kay Beauty Consultants are the smallest of small business people, of whom the vast majority become involved in order to earn extra dollars to supplement the family income. Also, entry costs are next to nothing, in our case \$85.00 for a Beauty Case. No inventory is required. This low cost of entry fosters easy entry and easy exit as Beauty Consultants satisfy their short term financial goals. Typically, those goals are centered upon money for school clothes, vacations, and medical emergencies.

Such factors have fostered an industry wide turnover rate of 162 percent, according to a Lou Harris Poll.

The above information points out graphically that H.B. 620 should not include within its scope, Mary Kay Cosmetics and the Independent Beauty Consultants who sell its products and other direct selling companies.

The measure H.B. 620, proposed by Representative Marco Pignalberi, unless amended as requested by Joe Mariano, of the Direct Selling Association, in his letter of April 11, 1986 would create unnecessary problems for direct selling companies.

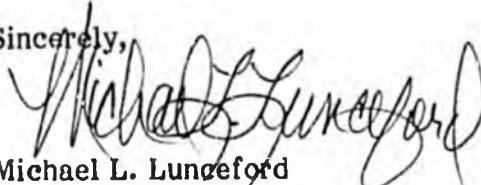
As Mr. Mariano pointed out in his letter, H.B. 620 seeks a laudable goal, the promotion of fair business relations between dealers and manufactures, where there is sizeable investment and disproportionate bargaining power. We are the antithesis of that scenario.

Mr. Chairman, again I urge the committee to adopt the amended language which would be consistent with the Federal Trade Commission Regulations which exempt the commercial relationship typified by direct selling.

The Honorable Mike Navarre  
April 11, 1986  
Page Two

Also, please distribute the copies enclosed to each member of the committee.  
Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael L. Luncford". The signature is written in a cursive style with a large, prominent initial "M".

Michael L. Luncford  
Vice President, Public Affairs

MLL:rm

cc: Labor and Commerce Committee Members



# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
Signature of Camera Operator

  
Date