

» SILPADA DESIGNS®

July 17, 2006

VIA WEBSITE ATTACHMENT TO
<https://secure.commentworks.com/ftc-bizopNPR/>

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 Sir or Madam:

On behalf of Silpada Designs, Inc., I would like to take this opportunity to express our concern over the proposed New Business Opportunity Rule R511993. As the rule is currently written, it has the potential to substantially damage our business. We are hopeful that the FTC will be able to meet its responsibilities to protect the public, without implementing some of the damaging sections of the proposed rule.

Silpada Designs, Inc. ("Silpada") is a direct seller of fine sterling silver jewelry primarily at home based parties. Originally founded in 1997 by the three current owners, we now have over 14,000 independent representatives from all 50 states. Our focus remains on supporting our independent representatives in selling our jewelry at home parties.

I will discuss below each section of the proposed rule that cause us to be concerned.

The Seven-Day Waiting Period

The seven-day waiting period is likely the most problematic section of the proposed rule. We cannot think of any other industry that has such a burdensome requirement for such a relatively small investment. We already offer a 90% buyback policy for all products including sales kits purchased by representatives within the last 12 months. It is worth noting that we have had no more than two representatives take advantage of this provision. Documenting this waiting period would be a

significant administrative burden, tracking initial contacts between current representatives and prospects and storing this data for three years.

The Elimination of the \$500 Threshold

Silpada's current business opportunity requires a \$199 start-up kit investment. Under the proposed rule, Silpada's plan would fall under FTC regulatory authority, since the existing \$500 threshold would be eliminated. Silpada strongly opposes the elimination of the \$500 threshold.

The References Requirement

The proposed rule requires Silpada to disclose at least ten prior independent representatives nearest to the prospective representative. We are not averse to giving prospective representatives references if they ask for them. But Silpada is very sensitive to the personal privacy of its independent sales representatives and does not want to have mandated disclosure of individual's contact information. We will need to invest in specialized software to search our databases for active and retired representatives who are geographically nearest to the prospective representative. We will be required to keep records of such research and notifications to prospects in order to document that we are staying in compliance with the rule.

The Litigation Information Requirement

The proposed rule also calls for us to release any information regarding prior litigation involving misrepresentation, unfair or deceptive practices, regardless of the outcome of such litigation. While Silpada has never been accused of misrepresentation, unfair or deceptive practices, we anticipate that as we grow we will undoubtedly face frivolous lawsuits. We believe it is only appropriate to disclose litigation that is related to the earnings opportunity offered to the prospective representative, and wherein Silpada has been found guilty of wrong doing.

The Earnings Claims Requirement

The proposed rule would require Silpada to gather and manage cumbersome earnings information such as specific time periods, individual demographic data, and varying geographic data. Our current earnings representations are based on accurate and valid national data. The administrative expense associated with such burdensome rules will cause us substantial hardship.

Silpada appreciates this opportunity to provide its comments on Business Opportunity Rule, R511993. We appreciate the consumer protection responsibilities of the FTC, but we believe this proposed new rule has many pitfalls and unanticipated consequences.

Thank you for considering our comments.

Kevin Herdman
Chief Operating Officer
Silpada Designs, Inc.