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Charles James, Esq.
Assistant Attorney General
Antitrust Division
Department of Justice
Main Justice Building
950 Pennsylvania Ave., N. W.
Washington, D. C. 20005-0001

Re: Association of Fund-Raising Distributors & Suppliers

Dear Mr. James:

The Association of Fund-Raising Distributors & Suppliers ("AFRDS') hereby requests the issuance of a business review letter pursuant to the Department of Justice's business review procedure, 28 C.F.R. §50.6 (1997). We would very much appreciate a statement of the Department's current antitrust enforcement intentions regarding the following proposed information exchanges that the AFRDS will design and facilitate to help resolve problems that many manufacturers and distributors in the product fund raising industry are experiencing. We request that the Department's business review be conducted on an expedited basis due to the time-sensitive nature of the proposed activity.

AFRDS, a non-profit, tax exempt trade association was formed in 1992, as the result of the merger of two associations that had been serving the product fund raising industry for many years. AFRDS is the product fund raising industry's only trade association. The product fund raising industry is made up of corporations, other types of entities and individuals involved in providing products and services to be used for the purpose of raising funds by charitable, educational and other not-for-profit organizations.

The product fundraising industry is comprised of Supplier and Distributor companies. There are approximately 1,500 Distributor companies operating in the U.S. These companies sell products and services to schools, school-related groups like PTAs, and other not-for-profit organizations to assist them in their product fundraising drives. Millions of students and parent volunteers participate in these fundraising programs each year. Supplier companies (we

estimate 150-200 companies) are those manufacturers, publishers and importers of goods that supply products to distributor companies. There are thousands of products used in these programs. Popular items include: all types of chocolate and candies, gift-wrap and other paper products, magazine subscriptions, baked goods, processed cheese and meat products, gifts and novelties.

AFRDS represents some 650 Supplier and Distributor companies that comprise the major companies in the product fund raising industry that are located in the U.S. and Canada. AFRDS estimates that its members generate approximately 80% of the entire industry's gross sales ($3.9 billion annually).

Generally, product fundraising programs are structured as follows: 1) Suppliers supply products to Distributors; 2) Distributors either take title to the products or act as an independent sales agents for the Suppliers; 3) the products are sold to non-profit organizations who re-sell the items to the general public (most sales to the public are recorded on a generic order form using product identification numbers or codes); the forms are completed by the non-profit group volunteers and returned to the Distributor, or in some cases the Supplier, who handles processing and fulfillment; 4) the non-profit organization pays for the merchandise and retains the balance of the gross proceeds for the purpose that it is raising funds.

Statement of the Current Problem Regarding Product Codes

Most Distributor and Supplier companies inventory products and process product orders using numeric product codes established by the Supplier. Some Suppliers offer hundreds of products, each with a separate code. These codes are not uniform from company to company and frequently the numbers overlap, causing needless confusion for the Distributor companies and errors in products provided to the non-profit organizations. To avoid potential difficulties, some Distributors restrict themselves to using only certain products or Suppliers, which in turn restricts options they can offer to non-profit customers. As a practical matter, Suppliers cannot modify their codes to meet the different needs of dozens, or even hundreds, of Distributor customers.

AFRDS wishes to establish a program that will make it easier and more efficient for a greater number of Suppliers to deal with more Distributors. It is expected that this program will increase competition in the industry. The increase in competition should also benefit the non-profit organizations served by the Distributors.

Proposed Voluntary, Uniform Product Coding System for the Product Fundraising Industry

Numeric product codes identifying the Supplier and the specific product item would be established under this proposal. The program would be available to any Supplier company -- regardless of its membership status with AFRDS --

that can document to AFRDS that it has supplied products to Distributor companies for at least one year.

AFRDS would be responsible for assigning a series of numbers to qualifying Supplier companies. AFRDS would charge a nominal registration fee to cover processing, record-keeping and other program costs. This activity would be conducted to a large extent through use of the Internet to facilitate the communication and exchange of this information between all industry Suppliers and Distributors. The series of numbers assigned to Supplier companies would be public information, posted on the AFRDS web site (www.afrds.org). Such listing will include the name of the company and possibly a brief description about the company. Supplier companies would still be responsible for applying specific codes to individual product items and to making that information available to their own customers through normal channels.

AFRDS will work through its Information & Technology Committee to establish specific code parameters and formatting. A possible outcome would be an eight-digit numeric code with the first three digits identifying the Supplier company, the remaining five digits identifying the specific product item.

Availability of the Information.

All Distributors will be able to access this information, No special membership requirements will apply in order to access the information. Distributors may be either members or non-members of AFRDS. AFRDS will have no control over the extent to which information placed on its web site will be shared by and among companies, organizations or members of the public. AFRDS will solicit its members and non-members to participate in the Product Coding System. It is AFRDS' intention to make the Product Coding System available to every company and person in the industry.

Benefits of these Proposals.

AFRDS believes the benefits of the proposed Product Coding System will be substantial. Since everyone will have equal access to the information in the directory, no one company or group of companies will have a competitive advantage over any others.

The benefits of this program would be:

- Eliminate overlap of Supplier product codes, allowing Distributor companies more freedom in offering products from a variety of Suppliers.
- Facilitate the communication and exchange of information from Suppliers and Distributors and users
- Decrease problems associated with errors in fulfillment.

- Improve efficiencies for Suppliers and Distributors, which eventually will accrue to the benefit of non-profit organizations.
- More accurate and timely delivery of products to end consumers.

Conclusion.

AFRDS is in a unique position to bring together a wide variety of Suppliers and Distributors. It is very important that the participants in this process are secure in knowing that the Government of the United States supports these efforts and does not intend to impose any significant constraints on the free exchange of information about the Product Coding System.

AFRDS would like to be able to assure the Suppliers and Distributors that the Product Coding System will not raise antitrust concerns. If there are particular types of information that you believe to be particularly sensitive in this context, we will work with you to do what we can to make sure our members and others are aware of them. However, in the context of this program, we cannot be absolutely certain that individual companies will be aware of or comply with specific limitations on disclosure that might be indicated. The current proposal does not include any price information and AFRDS does not intend to disseminate any price information.

AFRDS would very much like to be assured that the establishment of the Product Coding System is not a subject that the antitrust laws were designed to prohibit. If you determine there are any problems, AFRDS is very interested in working with you to revise the Product Coding System so that it complies with the limits of antitrust enforcement in this area.

AFRDS would be happy to provide further information to assist you in determining whether the proposals outlined above are consistent with the goals of the antitrust laws. This is an important issue for all Suppliers and Distributors, and AFRDS hopes you can act favorably on its request promptly. I appreciate your assistance in resolving this issue, and I look forward to your response.

Sincerely,
Harvey I Lapin & Associates, P. C.

Harvey I. Lapin