

RE: Business Opportunity Rule, R511993

Dear Sir/Madam,

I am writing in response to the proposed New Business Opportunity Rule R511993. It is my humble opinion that, if not modified, it will be a significant impediment and burden to the network marketing industry. This new rule, although well intended, represents a significant burden to free market trade.

The proposed rule would require a de facto seven-day waiting period to enroll new distributors. In essence, one would have to sell a person twice on the same business — even if the start-up fee is a mere \$19.95.

While I support some of the disclosures with modification, I am opposed to a seven-day waiting period because it is excessive burden to any company and distributor who would be required to document and follow-up on the process and an impediment to new business development.

Earnings disclosure

The rule requires that any earnings claim statement made by the distributor or company to a prospect, whether written or oral, general or specific, be validated with a detailed "Earnings Claims Statement Required By Law." Additionally, the distributor would be required to provide written substantiation of any earnings claim made upon request.

I support the disclosure of an average earnings income statement because it is good business practices to establish realistic expectations. However, I oppose being forced to provide written substantiation because it is an excessive burden, considering the investment of money to enter into the business is nominal.

Previous litigation

The rule also calls for the release of any information regarding prior litigation and civil or criminal legal actions involving misrepresentation, or unfair or deceptive practices, even if you were found innocent.

In our lawsuit-happy culture, anyone can be sued for

anything almost with impunity. Regardless of the outcome, you would have to disclose it and explain it to a new business associate, which is patently unfair.

I would only support the disclosure of previous litigation of companies, executives, affiliated companies and the like **involving fraud and misrepresentation only if the party is found guilty**. If the defendant is found not guilty or if the opposing parties agreed to settle without admission of guilt, then it should not be necessary to disclose this information.

If the parties agreed to settle without admission of guilt, there usually is some public document available, particularly if it involves a government agency and further disclosure therefore would be unnecessary.

References

Lastly, the rule requires the disclosure of a minimum of 10 purchasers closest to you. While it is a good practice to provide references of satisfied customers, this is a burden for small businesses and, as a requirement, is a violation of personal confidentiality.

Unfortunately, requiring the release of this information can threaten the business relationship of the references who may be involved in other companies or businesses. In addition, it subjects these references to cross marketing by competitors.

I am recommending that contact information for purchasers be available upon request, that their availability be published on company materials, and that due to Internet-marketing, they not be limited to geographic proximity.

History From The Recent Past

In the early 1960's franchising was a revolutionary new technology in business, and it was also met with resistance. Newspapers and magazines wrote what a scam and rip-off franchising was. Stories of people who lost their life savings to some franchise were everywhere. There was a strong move to make franchising illegal. In fact, franchising actually came within 11 votes of being

outlawed by Congress.

Today this so-called scam is responsible for over 34 percent of all retail sales in North America. Franchises sell nearly 800 billion dollars worth of goods and services today.

Every industry goes through an evolution similar to this.

- Chiropractors were considered quacks in the 1970's
- The stock market was considered shady and a form of gambling
- The first newspaper in British North America, "The Public Occurrence" (1690), was suppressed by the governor of Massachusetts

Now, we almost can't do without these industries.

Facts you should not ignore

The network marketing industry is one of the few remaining opportunities for people to leverage their time and limited resources to earn additional income or to create a new career.

Network marketing is a vital economic opportunity for most Americans, especially in our global economy.

Franchises, which at one time were reasonably affordable for many families, are today often out of the reach of all but the top 5% of income earners in the US.

Once scoffed at by investors, many network marketing companies are publicly traded on Wall Street including Herbalife, Nu Skin, Pre-Paid Legal Services, USANA and others.

Network marketing is legitimate, with scores of blue-chip corporations including Citigroup, MCI and IBM utilizing it effectively to compete and expand the market for American goods.

Top business management leaders and New York Times best-selling authors Robert Kiyosaki, Paul Zane Pilsner, and Steve Covey have endorsed network marketing.

The industry is growing in popularity and contributes to the

US economy. **This growth should be encouraged.**

There are 13 million Americans involved in this network marketing industry today, with thousands more joining its ranks weekly.

Finally, the network marketing industry contributes to our growing economy. Sales of products and services through network marketing were estimated at more than \$29 billion in 2003.

Personal observations

I have been involved in the network marketing industry for more than 12 years. I have met some of the finest people and have been introduced to some of the best products because of that affiliation.

For the first couple of years, I was involved because I wanted the benefit of using the products. Later, after being laid off twice in eight years, I decided to get involved on a full time basis because I wanted more control of my financial future. **This home-based business helped me significantly, and allowed me to spend more time with my family while earning money on a steady and consistently growing basis.**

Bettering Free Trade and Entrepreneurial Spirit

I understand and value the role of the FTC mission "to stand up for America's free market process and for its consumers, who benefit from competitive markets in which truthful information flows."

However, I believe this proposed new rule exceeds what is necessary and needs significant modification. We live in a free market economy where people have the responsibility of making informed decisions based on best information.

A better approach would be to provide consumers with objective criteria when analyzing a business opportunity and let an informed market proceed.

I am in support of disclosures being made during the sales process, without the requirement of a seven-day waiting period, only if modified as suggested above.

Thank you, in advance, for reviewing and posting my comments.

Best regards,

Joe Emmet