

Wednesday June 28, 2006

To the Federal Trade Commission:

I am writing to express my concern and the concern of numerous business owners in mine and my wife's business team over CFR Citation: 16 CFR part 437. I graduated from NCSU in 1987 with a degree in Business Management & Economics and began working in corporate banking for Nations Bank (now Bank of America) out of Charlotte, NC. It was quickly that I realized by working directly with business owners who were customers of the bank that I had received little to no education that prepared me to be an entrepreneur in the US. While I had a good college education and the best of training from one of the largest banks in the world, I knew little in the way of what business owners needed to know to plan, build, and run a company as an owner successfully. I left corporate banking and got into the beverage wholesale business in Asheville, NC where I ended up owning part of and running a \$10,000,000. per year beverage wholesale business (Smoky Mountain Dist.) and was elected to the N.C. wholesale association board as well as being asked to serve on advisory boards for companies like the Coors Brewing Company. While doing this, I started three other small businesses, a land development business, a rodeo production business, and what is now our Multi level Quixtar business. Today, the only business my wife and I own or are interested in owning and investing capital and energy into is our business with Quixtar. If you look at the lack of applied knowledge education systems for entrepreneurs or would be entrepreneurs in America today, you can easily see the need for systems such as Quixtar. A press release titled "Majority of Americans Dream of Starting Their Own Business Fedex Study Shows" on November 4, 2003 that was reported on Yahoo Finance, The WSJ online, and other business sources says that the majority of Americans would like to start a business of their own. Systems like Quixtar make it affordable with flexible scheduling which permits people to own a business without the risk of quitting their existing job. The January 24<sup>th</sup> 2005 issue of bizjournals reported a Babson College Study that the average amount needed to start a business today was \$53,673. and numerous US government studies and information show the failure rate of small businesses to be extremely high 60 to 90% within the first 5 years. In light of this, it is evident that affordable business ownership systems that give people access to applied knowledge that is necessary for success in an ownership environment is needed in the market place. I am writing this letter to express my concern for what your rule changes and additions will do to harm our ability to fill that need affordably and efficiently while continuing to succeed as well as giving others the opportunity to do the same.

There are 5 substantial problems in your proposed rule that I am writing to address:

- 1) Prospects would have to wait 7 days after receiving disclosures before they can register.

With businesses that require \$500. or more in start up or registration fees and no money back guarantees this would be a good rule. It would eliminate many illegal or

borderline illegal business schemes that are out there making their money on registration as opposed to successful business building. For businesses like Quixtar which are less than \$200. to start & register this would be a significant hindrance by adding undue time and additional meetings to accomplish something that should not be necessary when the cost is low and refund guarantee is available.

2) Giving a prospect a list of references in their area before they register.

Many areas do not have 10 other business owners in them and thus would be impossible to develop leaving them void to opportunity. It would infringe on the privacy of the business owners listed and require them to spend countless hours providing the same information to numerous prospects that would not even be a part of their business. You would not require McDonalds to provide customer satisfaction reports to customers of Burger King nor would Burger King want to do so or do so in a way that would be likely to benefit McDonalds.

3) Giving a prospect a list of all lawsuits, arbitrations, or other legal claims for the past 10 years involving Quixtar IBOs as plaintiffs alleging fraud, misrepresentation, or unfair trade practices.

A 2001 article in USA Today by Richard Willing titled "Lawsuits a volume business at Wal-mart" says "By its own count, Wal-mart was sued 4,851 times last year or nearly once every two hours, every day of the year." It also says that the US government is sued more than any other entity according to the Justice Department at more than 7500 times per year. As you know, we are the most litigious nation on earth and the rate at which frivolous lawsuits is growing has placed a huge strain on US business and the court systems. People in the US can file legal action making false or frivolous accusations at the drop of a hat today. To require us to keep up with that ever growing problem as a legitimate business and force us to have to spend the countless and once again un-necessary time trying to explain the difference between factual verdict base cases and frivolous or false accusations to the average person would be a daunting task. It would also be totally avoided by start up multi level businesses whether legal or illegal that have not been in place long enough to have suits filed against them. This would give them a competitive advantage against business systems like Quixtar that are proven to be legal and of value in the market. Because of their size and length of time in the market (something that should point out their credibility), business systems like Quixtar will automatically have numerous frivolous and even out & out biased or untruthful lawsuits filled against them in our culture.

4) Making a different disclosure for every income claim.

As a corporate banker, I was trained to study 1 year, 3 year, and 5 year business plans and projections. In showing people a way to own their own business, you are essentially showing them a 1 to 5 year business plan possibility. The different ways a business plan can un-fold are to numerous to list or take time to count so standard

plans are developed. As it would be impossible and far too costly to provide such disclosures for every example, the reasonable solution is a standardized easy to understand disclosure that states average monthly gross income. This would always be a conservative figure as the average numbers will never reflect the upper 20% of what is possible.

5) Providing personal financial documents to back up or substantiate any income claims.

I agree with providing information like in #4 above to back up business plan income and believe that when business owners make claims they cannot substantiate to inquisitive prospects, that alone should dissuade the prospect from being involved. Making this a rule however, would open business owners to being subjected to privacy invasion on a scale that is obtrusive. Do employers have to open their financial statements to prospective employees or customers in America? Do manufacturers have to open their financial statements to each consumer who purchases their product so we will know if they will be here to service it 2, 3, or 5 years later? If investigated by entities in place such as the FTC or similar state and federal agencies, any business owner should have to provide evidence of information they are using to sell a product or service. These laws and regulations are already in place and are also addressed in #4 above.

My wife and I are excited and appreciative that your agency is putting great effort into regulating business so that the market place has less and less illegal or unscrupulous business. This will do nothing but make our industry more healthy as the illegal entities are more easily exposed and made harder to get started in the first place. We are however, very concerned that the issues addressed above would make legal and proven business systems like Quixtar and others extremely hard to expand and under unfair competitive advantages to start up businesses in the same industry. We have owned our own business using the Quixtar & Amway system for over 10 years and have found it to be a much better experience and opportunity than the other businesses we owned. If one wants it, there is more help in coaching and example at an affordable (usually free) level for would be entrepreneurs in America in a business system like Quixtar than in getting a college education. Having experienced both and having owned other businesses that both succeeded and failed, I am of the opinion that the value & opportunity in a model like Quixtar are unprecedented and am proud to offer it to anyone who yearns to own their own business but is hindered by the average costs and time requirements of most businesses. If you need any further information or input I would be honored to be of any assistance possible.

Sincerely

Scott Andrew