

July 17, 2006

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Federal Trade Commission/Office of the Secretary  
Room H-135 (Annex W)  
600 Pennsylvania Avenue, NW  
Washington, D.C. 20580

RE: Business Opportunity Rule, R511993

Dear Commissioners:

The Natural Products Association appreciates the opportunity to submit comments to the Federal Trade Commission (FTC) regarding its Notice of Proposed Rulemaking with respect to the "Business Opportunity Rule" (R511993), published in the Federal Register on April 12, 2006.

The Natural Products Association, formerly NNFA, would like to participate in any upcoming FTC workshops or meetings at which this subject would be discussed. The Natural Products Association was founded in 1936 to promote and protect the unique values and shared interests of suppliers of natural products. The Natural Products Association is a non-profit 501 (c)(6) association whose mission is to unite a diverse membership, from the smallest health food store to the largest natural products supplier. We champion consumers' freedom of choice in our marketplace. We strengthen and safeguard retailers and suppliers. We build strong markets to fuel industry growth. We act together with uncompromising integrity, and we encourage all to reach ever higher standards of quality.

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### Specific Comments and Recommendations

1. Distinguish Businesses: The FTC should distinguish – and exempt – businesses and their Independent Distributors from the effect of this proposed rule if they meet any of three tests: (A) the cost of the business opportunity is less than the present \$500 exemption; (B) they have an established “buy-back” program such that companies refund in full the value of resalable product and support materials within seven (7) days of acquiring the business opportunity; or (C) they are publicly traded direct selling companies, meaning their detailed financial reports and legal disclosure information is readily available and frequently updated in accordance with stringent, existing federal reporting requirements.

2. Content of the Disclosure Document – Section 437.3

We appreciate the FTC’s interest in ensuring that prospective business opportunity purchasers have the necessary information to make an informed decision about the business opportunity. We also appreciate the FTC’s efforts to minimize compliance burdens relative to franchise sales rules. However, given the disclosure topics, we think it is unrealistic to expect most business opportunity sellers to be able to confine their disclosures to a single page. It is far more likely that the single page disclosure document referred to as Appendix A in the Proposed Rule will yield numerous pages once completed.

3. Paperwork Requirements

The FTC vastly underestimated the impact this Proposed Rule will have on the small business men and women throughout the country who will now be required to comply with additional paperwork requirements. The delay for our Independent Distributors (due to the proposed mandatory seven day waiting period) and the extra steps required – combined with the additional paperwork – have the potential to make recruiting additional Distributors far less appealing. It is not unusual for individuals to become Distributors on a part-time basis with the goal of selling products and recruiting others because it is easy to do so. As such, many individual direct sellers do not have offices and filing cabinets to maintain records, do not have email accounts for their businesses and do not want to spend their time as an intermediary between a potential Distributor and corporate headquarters. They want to sell products and recruit new Distributors with a minimal amount of paperwork.

Many of the hard-working individuals who are putting their talents as entrepreneurs to work lack the capital to establish a formal business office. Often, they operate their distributorships without computers or sophisticated processes. For them, the rigorous paperwork compliance provisions of the Proposed Rule will be onerous. In

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to order to drive the small risk for purchasers investing \$500 or less to virtually zero, the Proposed Rule could well force such purchasers to substantially increase their required outlay (and associated risk) by effectively mandating they make capital expenditures to comply with these paperwork provisions.

Direct selling offers opportunities for people at all educational and economic levels because start-up costs and the resources required to run the business are minimal. The Proposed Rule will increase Distributors' out-of-pocket costs and may erode their profit margin significantly, perhaps to the point where there is no longer an economic gain for the individual. Many Distributors run their businesses successfully with limited out-of-pocket costs. The Proposed Rule will arbitrarily increase the cost to our Independent Distributors of running a business.

### Summary

We suggest that the Proposed Rule, to the extent it includes legitimate direct selling companies, should maintain a reasonable threshold; exempt voluntary purchases of true inventory); exempt companies whose securities are publicly traded and for which financial information is readily available. In the alternative, we suggest that an exemption be provided for companies offering a rescission period.

Very truly yours,

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