

We've been independent business owners in the Direct Selling Industry since 1990 when my wife and I started our Amway business. Right from the very beginning we were told that we were to meet certain business practices that were necessary to allow us to have a business marketing plan that was approved by the FTC. We upheld the rules and ethics required to make our business the model of the industry.

It was no different when we started our Quixtar business in September of 1999. The following business practices have permitted us to continue being the direct selling, e-commerce franchise business model.

1. The business does not allow business owners to profit from recruiting/signing people into the business (i.e. it is not a pyramid scheme).
2. The business does not allow "front end loading" (forcing the new business owner to purchase a stash of products that must be sold)
3. There is no risk since the start up fee of an online franchise, unlike the brick and mortar franchise, is almost negligible (\$42 for a start up fee and a recommended first order of some sample products of about \$60.) The product order is optional.
4. Each new Independent Business Owner (IBO) is provided a complete business prospectus, including a statement of what can be expected in the way of income.
5. Each sponsor pledges to guide the new IBO and introduces him/her to a mentor (someone who has built a successful business) and they form a team of success. It is important to note that all the team members are in a single line of sponsorship making it a win-win situation for everyone. It is a critical business practice NOT to meddle with someone's business outside of your line of sponsorship where you have no financial interest.

While we appreciate your concern to keep potential business owners in the direct selling/ecommerce franchise business from being duped into losing a lot of money on some shaky business schemes, we feel that some of your new proposals would greatly harm our business.

- Requiring the new IBO to wait 24 defeats the advantage of an online business. We recommend to ***Eliminate the waiting period, at least for opportunities like Quixtar where a prospect can get his money back if not satisfied.***
- ***Eliminate the requirement to provide 10 references.*** This requirement would infringe on the privacy of every IBO whose name, address, and phone number was provided to prospects. It would also stimulate "cross-lining" as mentioned before.
- ***Eliminate the requirement to disclose past litigation. This provision does not distinguish false from true allegations.***

We would encourage the FTC to establish a list of approved direct selling businesses which would allow the prospective business owner to have confidence that the business under question, is legitimate. Each new business would then be required to submit a prospectus to the FTC to gain access to your approval list.