

Bob Phoenix

Dear Federal Trade Commission:

I complement you on your efforts to save our citizens from fraudulent pyramid schemes and unethical business people who take advantage of people wanting to chase the American Dream of owning a business. It is a great dream that is a part of our country's history that makes it a great place to live. However, having been in the Direct Selling industry for a few years now, I see that certain details of this proposed rule will significantly damage legitimate business opportunities in America, while fraudulent businesses will commit more fraud and survive.

I began in the direct sales industry with Vector Marketing in 2002 as a Sales representative and continued as a Sales Manager. I was also exposed to Quixtar and Xango and I have seen and met extremely ethical and hard-working people in each of those companies. With Vector Marketing, I gained confidence in my interaction with people. I gained public speaking skills and sales presentation skills, and interview skills. Currently, I am an Undergraduate Business Student at UNC Chapel Hill and I now hope to develop my Xango Business as I finish school and eventually I plan to maintain a full time income to start a family. I love the idea of this business because it is possible for me to develop a full time income while I help people to discover a product that may increase their health.

The Direct Selling and Multi-Level Marketing companies are wonderful companies that allow people with passion, work ethic, and a willingness to grow to develop a business whereby, with low capital entry, they can develop a lifestyle of time and money by helping and educating people about useful products and services. All of the direct sales companies I've encountered make "The Golden Rule" part of their business philosophy and this proposed rule will negatively affect their ability to help people.

The seven-day waiting period will put a damper on anyone wanting to get started. With the speed people can collect information, a 7 day waiting period is an unnecessarily long length of time. Also, going into a new business is very scary. Many unsupportive and negative people often do not have open minds to business, and spoil a person's drive to get momentum in the beginning. This casts direct selling in a negative light. It makes legitimate businesses look like we need more time to make sure we aren't doing anything wrong. There has to be other ways.

If the \$500 business threshold is eliminated, it will place most direct selling companies in a category that they do not fit. The beauty of direct sales and MLM companies is the ability to have extremely low capital investment, and leveraging the efforts of many people to sell products and services. It is an industry that does not need a high initial investment. It would force many to comply with rules that are more appropriate for businesses requiring a greater investment than a sales kit.

Another part of the proposed rule that would affect any business is the litigation reporting. In a world where it is ideal that people are innocent until proven guilty but they are mostly assumed guilty until proven innocent, and in a world where more litigation goes on than ever before, it seems unfair to the innocent parties in the litigation process to make it possible for people to judge the fact that someone is, or has been litigating. It does not distinguish from winning/losing lawsuits and the litigation may not even be relevant to the business.

Next, the idea that a business person should be required to provide the 10 nearest existing sales people as references is highly impractical because often you meet people away from home. It also flirts with violating privacy and safety issues as this information would have to be given to any prospect, and it may even create the potential for ID theft and corporate liability.

Most importantly, most illegal schemes are short term. Anyone could easily provide fraudulent information for many of these rules to trusting prospects and by the time they are caught, the damage is done and they have made their illegal monies. Legitimate businesses would have slower growth, or possibly not grow at all as they would comply with the law. Legitimate MLM companies would be damaged while new schemes could be created to bypass these rules.

I appreciate your efforts to protect our customers and citizens and I understand that this industry is very difficult to regulate because so much of this industry is a mental process and is only seen in the interaction between individuals. I hope that you see how these particular changes would have drastic negative effects on legitimate businesses that you hope to protect.

Direct Sales originated from the “old fashioned” way of doing business. In today’s high technology world, it is refreshing to see business focusing on the growth and development of people. I know you can find ways to effectively regulate this industry so that the legitimate businesses are not hurt, while fraudulent schemes are caught and stopped much quicker.

Sincerely Yours,

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