

The FTC wants to make sure that consumers have all the information they need to make a good decision about participating in a business opportunity. Quixtar and the IBOAI agree – that’s exactly why we already provide prospective IBOs with extensive information before they register. Uniform, industry-wide disclosure requirements would also help shut down bogus business opportunities that may try to mimic legitimate direct selling opportunities. The FTC’s challenge is to design a rule that prevents deception without penalizing IBOs and other honest entrepreneurs.

That said, Quixtar and the IBOAI believe the original FTC proposal contains several requirements that would impose crippling burdens on IBOs without doing anything to prevent deception. We believe these provisions must be changed in any final rule.

You should study the proposal, draw your own conclusions, and let your voice be heard by the FTC.

## The Main Problems and Our Proposed Solutions

The proposed rule in its present form would create serious problems for every IBO. We have identified what we believe are the five most important problems and are proposing a solution for each:

Problem 1:

**Prospects would have to wait 7 days after receiving disclosures before they could register.**

Solution:

*Eliminate the waiting period, at least for opportunities like Quixtar where a prospect can get his money back if not satisfied.*

Problem 2:

**You would be required to give every prospect a list of "references" – the names, addresses, and phone numbers of 10 other IBOs in the area – seven days before the prospect registers.** This requirement would infringe on the privacy of every IBO whose name, address, and phone number was provided to prospects. It would also penalize the sponsor, who would be required to give his prospect contact information for 10 other IBOs, any of whom might be happy to register the prospect themselves.

Solution:

*Eliminate the requirement to provide 10 references.*

Problem 3:

**You would have to give every prospect a list of all lawsuits, arbitrations, or other legal claims for the past 10 years involving Quixtar or its IBOs where the plaintiff *alleged fraud*,**

**misrepresentation, or unfair trade practices – regardless of whether or not the accusation was true.** Among other problems, this requirement would open up Quixtar and other legitimate companies to false accusations. Meanwhile, dishonest companies would simply ignore the rule.

Solution:

*Eliminate the requirement to disclose past litigation.*

Problem 4:

**You would have to make a different disclosure for every income claim.** This would include any examples you might use during an opportunity presentation to illustrate how the Plan works.

Solution:

If disclosures are needed, require a simple, standard, easily understood disclosure such as "average monthly gross income for 'active' IBOs."

Problem 5:

**You would be required to provide prospects with personal financial documents to back up ("substantiate") any income claim.**

Solution:

IBOs should possess substantiation for any claim but should not be required to disclose it except when required by the FTC and similar state agencies in an agency investigation.

Again, we believe that providing every prospect with important information about prior experiences is good for Quixtar and the entire direct selling industry. However, there are less burdensome ways to accomplish that goal than the manner set forth in the proposed FTC rule. While we certainly encourage you to discuss the burden raised by the problems listed above, we hope that you also express your support for the general objective.

These are our summaries of the most troublesome provisions. You can read the complete text of the FTC's Notice of Proposed Rulemaking for the Business Opportunity Rule at the following link:

<http://www.ftc.gov/os/2006/04/R511993BusinessOpportunityRuleNoticeofProposedRulemaking.pdf>

## Our Involvement

We've been working with the IBOAI, the U.S. Direct Selling Association (DSA), and the industry to ensure that the final rule is something we can live with, levels the playing field for direct selling companies, and keeps charlatans from the marketplace.

Dedicated company resources will be working hard throughout this entire process, keeping you informed along the way.