

July 29, 2006

Federal Trade Commission/Office of the Secretary, Room H-135 (Annex W)
Re: Business Opportunity Rule, R511993
600 Pennsylvania Avenue, NW
Washington, DC 20580
RE: Business Opportunity Rule, R511993

Dear Sir/Madam,

I am writing in response to the proposed New Business Opportunity Rule R511993. This new rule, although well-intended, represents a significant burden to the free market trade and if not modified, will be a significant impediment and burden to the network marketing industry.

The proposed rule would require a de facto seven day waiting period to enroll new distributors. In essence, one would have to sell a person twice on the same business—even if the start-up fee is a mere \$19.95. I strongly oppose a seven-day waiting period because it is excessive burden to any company and distributor and an impediment to new business development. In addition, the burden of having to maintain these records for three years is extreme.

The rule requires that any earnings claim statement made by the distributor or company to a prospect, whether written or oral, general or specific, be validated with a detailed “Earnings Claims Statement Required By Law.” The distributor would be required to provide written substantiation of any earnings claim made upon request. Providing written substantiation is an excessive burden considering the investment of money to enter into the business is nominal and I recommend eliminating this requirement.

The rule also calls for the release of any information regarding prior litigation and civil or criminal legal actions involving misrepresentation, or unfair or deceptive practices, even if you were found innocent. In our lawsuit-happy culture, anyone can be sued for anything almost with impunity. Irregardless of the outcome, you would have to disclose it and explain it to a new business associate which is patently unfair. I would support the disclosure of previous litigation involving fraud and misrepresentation *only if the party is found guilty*. If the defendant is found not guilty, the opposing parties agreed to settle without admission of guilt or the case is still pending, then it should not be necessary to disclose this information and the requirement should be modified.

Lastly, the rule *requires* the disclosure of a minimum of 10 purchasers closest to you. While it is a good practice to provide references of satisfied customers, this is a burden for small businesses and, as a requirement, is a violation of personal confidentiality. This rule would also subject customer to cross-marketing by competitors. Contact information for purchasers should only be available upon request.

I understand and value the role of the FTC mission “to stand up for America’s free market process and for its consumers, who benefit from competitive markets in which truthful information flows.” However, I believe this proposed new rule exceeds what is necessary and needs significant modification. If not modified significantly, this rule would have a chilling effect on an industry which contributes nearly \$30 billion annually to our economy. It would devalue the stock of those direct selling companies that are publicly traded on Wall Street and will also discourage people from joining the ranks of the more than 13 million people who participate in network marketing.

Sincerely,

Grover Norquist
President
Americans for Tax Reform