

**BEFORE THE FEDERAL TRADE  
COMMISSION**

**COMMENT OF IBOA INTERNATIONAL  
ON THE NOTICE OF PROPOSED RULEMAKING  
FOR THE BUSINESS OPPORTUNITY RULE, R511993**

**July 17, 2006**

**Introduction**

The International Business Owners Association International (“IBOA International” or “IBOAI”) appreciates the opportunity to provide comments to the Federal Trade Commission on its Notice of Proposed Rulemaking for the Business Opportunity Rule, R511993 (the “NPR”). We support the Commission’s purpose of eliminating fraudulent schemes from the marketplace by ensuring that prospects considering business opportunities have all the information necessary to make an informed choice.

But the IBOAI is concerned that the Proposed Rule fails to distinguish legitimate, low-cost, low-risk business opportunities from truly abusive fraudulent schemes. Consequently, many of the Proposed Rule’s provisions threaten to place crippling burdens on the legitimate businesses of IBOAI members without substantially benefiting prospects at all. The IBOAI hopes its comments will serve to illuminate the difficulties posed for its members if subjected to the rule and to suggest alternative approaches to the proposal that would prevent deception without penalizing honest entrepreneurs.

**Background**

The IBOAI is a Michigan non-profit corporation organized in 1959 under the provisions of the Michigan Non-Profit Corporation Act. Originally known as the

American Way Association, it has since changed its name to Amway Distributors Association and Amway Distributors Association of the United States, before becoming the IBOAI in 1999. The IBOAI was formed to represent, in the fashion of a trade association, Independent Business Owners (IBOs) who are registered with and market the products and services of Quixtar, Inc. As such, we believe the IBOAI represents a unique occurrence and entity in the network marketing industry.

The IBOAI acts as an advisory group to Quixtar, and thereby is able to:

- Serve as an advocate in IBO issues.
- Promote and protect the integrity of the Independent Business Ownership Plan.
- Ensure that the business opportunity today is as good or better for future generations.

Membership in the IBOAI is voluntary, and is available to all participants in the Quixtar Independent Business Ownership Plan. As such the population of the Association's membership fluctuates continuously with IBO initial registrations and renewals as well as with non-renewals or terminations of existing IBOs. In recent years our total membership has numbered in the hundreds of thousands. These members comprise a diverse population ranging from new, relatively inexperienced IBOs who often intend the business to merely supplement their other income, to successful entrepreneurs who have spent decades building their business and who rely on it as their sole or primary source of income.

### **IBOAI Supports Elimination of Business Opportunity Fraud**

Regardless of their level of experience or their aspirations, all IBOAI members face a common threat from the fraudsters and charlatans whose deceptive tactics spread

confusion and mistrust among prospective recruits, multiplying the difficulties of growing legitimate businesses. Many IBOAI members have prior experience in other business opportunities, and some have been personally victimized by the fraudulent schemes that are the intended target of the Proposed Rule. For these reasons, the IBOAI strongly supports the FTC's efforts to define and eliminate business opportunity fraud in the United States.

In fact, many of the key protections addressed by the Proposed Rule are already accorded to prospects by the Quixtar IBO Rules of Conduct (the "IBO Rules")<sup>1</sup>. These include:

1. *Written disclosure of actual average earnings information. (Section 437.4<sup>2</sup>)*
2. *Other prohibited practices (Section 437.5) including:*
  - *False impression of employment.*<sup>3</sup>
  - *False representation of availability of exclusive territories.*<sup>4</sup>
  - *Misrepresent the cost, performance, nature or central characteristics of the business opportunity or the goods or services sold through it*<sup>5</sup>.
- 3 *Additional disclosures and training requirements applicable to other prohibited practices (Section 437.5):*

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<sup>1</sup> Online access to the IBO Rules is available using the following link:

<http://www.quixtar.com/Documents/TWOV/VIS/010-EN/PDF/compendium.pdf>

<sup>2</sup> In seeking participation of a prospective purchaser in the IBO Plan, Rule 8.3.1 of the IBO Rules requires that the soliciting IBO "[m]ust disclose the average profits, earnings, and sales figures and percentages as published from time to time by [Quixtar]." Disclosure is made in a company-produced brochure referred to as the SA-4400, the delivery of which is required by Rule 8.3.4.

<sup>3</sup> When inviting a prospect to a presentation of the Plan, Rule 8.1, *et seq.* provides that the IBO shall neither directly nor indirectly "give the impression that the IBO Plan relates to an employment opportunity" (Rule 8.1.1) or otherwise "misrepresent the relationship between the [IBO] and the Corporation" (Rule 8.1.5).

<sup>4</sup> Rule 4.13 of the IBO Rules provides that "No IBO shall represent to anyone that there are exclusive franchises or territories available under the IBO Plan." Rule 8.4 states: "No IBO shall represent that there are exclusive territories available."

<sup>5</sup> Section 8 of the IBO Rules contains numerous prohibitions and guidelines relating to representations allowed when making a presentation of the IBO Plan. Rule 4.4, *et seq.* provides that "No IBO shall make any offer to sell any product from the corporation that is not accurate and truthful as to price, grade, quality, performance and availability"

- *Misrepresent how or when commissions or bonuses are calculated.*<sup>6</sup>
- *Fail to provide a refund or cancellation to qualifying purchaser.*<sup>7</sup>

### **Overbroad Scope of Proposed Rule**

As indicated above, however, the IBOAI is deeply concerned that provisions of the Proposed Rule would impose severe, perhaps crippling, burdens on its members' ability to maintain or grow their legitimate businesses. The Proposed Rule vastly expands the scope of coverage historically established by state and previous federal regulations of business opportunities. The proposal eliminates the traditional minimum investment threshold as a factor in determining which ventures entail sufficient risk to warrant imposition of burdensome restrictions. Absent such a mechanism for distinguishing low-cost, low-risk, legal opportunities, such as the Quixtar Independent Business Ownership Plan<sup>8</sup> offered by IBOAI members, from illegal pyramid schemes and true business opportunity frauds, IBOAI members will face significant new barriers to succeeding in their legitimate businesses. Fewer prospects will become IBOs, more existing IBOs will see their businesses fail, and the public will gain no additional protection from their disappearance. A reasonable threshold of no less than a \$250 minimum initial investment requirement, similar to the several state statutes, should be

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<sup>6</sup> The SA-4400 brochure referenced above in relation to written disclosure of earnings information also sets forth a diagrammatic presentation of the IBO compensation plan illustrating the method for calculating and paying bonuses and other incentives offered by the Plan.

<sup>7</sup> Rule 5.3.6, *et seq.* of the IBO Rules guarantees the purchasing IBO that in the event he or she chooses to withdraw from the opportunity he or she will be able to sell back any unused inventory at commercially reasonable terms, typically purchase price less a 10% service charge. Rule 5.3.8 requires that each IBO who personally recruits other IBOs "...use his or her best efforts to encourage each of his or her personally registered IBOs to fully comply with these Rules [including the Buy-Back Rule] and to conduct their IB in accordance with the law and official literature of the Corporation."

<sup>8</sup> Rule 5.2 of the IBO Rules provides, *inter alia*, that "[t]he only requirements which an IBO can impose upon a prospect whom he or she is willing to register is that the prospective IBO shall possess the literature portion of the Registration Pack (without substitution or alteration in the contents) [approximately \$45.00 purchase price] and sign a completed IBO Registration Form and submit it to the Corporation." This literature package is covered by the Buy-Back Rule (Rule 5.3.6, referenced above) which applies in the event the new IBO chooses to cancel his or her participation.

written into the Proposed Rule. Alternatively, perhaps even preferably, an appropriate safe harbor for businesses that provide a strong refund policy, combined with much more abbreviated disclosures could be applied to provide the missing balance. The other more onerous disclosure provisions of the Rule would apply to businesses that do not meet the safe harbor standards.

### **Paperwork Burden**

A troubling general consequence of the overbroad scope of application of the Proposed Rule is the paperwork burden it would impose on IBOAI members, especially our newest members. What has traditionally been a spare time, almost casual, venture at startup will now be saddled with record maintenance and disclosure obligations worthy of a McDonald's franchise.

Although the act of registering a new IBO has historically involved completion of a modicum of paperwork, the procedure has been made workable through the use of standardized forms and online procedures provided by the company (Quixtar). The uniform nature of these forms has facilitated the "portability" of the business, allowing IBOs to recruit and establish downline organizations relatively easily and without territorial restraints. However, the data maintenance and disclosure obligations imposed by the Proposed Rule would place a significant and unwarranted administrative burden on this process.

The Proposed Rule would require disclosure of localized and highly sensitive business (and in some cases personal) data with each solicitation of new participants into the opportunity. Specifically, the *References* [Section 437.3(6)], *Earnings claim substantiation* [Section 437.4(a)], and *Legal Actions* [Section 437.3(3)] provisions would

impose burdensome new administrative and procedural requirements on any IBO who engages in the act of recruiting. Apart from the substantive challenges to each of these disclosure requirements as set forth separately below, the administrative burden of collecting, preserving, updating and providing such data to prospects *by itself* represents a significant new and wholly non-productive expenditure of time and effort.

Even assuming the company is able to assist in this process by extending online preparation of disclosure documents, individual IBOs would still be required to collect, preserve, report and update details of their own activities and experiences in a fashion not previously required or even reasonably anticipated in connection with the conduct of such a low-cost, casual and often part-time business. The added burdens would represent a substantial new barrier to pursuit of this opportunity.

### **Seven-Day Waiting Period**

For the potential recruit interested in pursuing a small personal business opportunity, such as the Independent Business Ownership Plan offered by IBOAI members, the written disclosure obligation of the Proposed Rule [Section 437.2] presents some chilling barriers even beyond the paperwork burden. At the time of initial introduction to the Plan, the prospect would be given a sheaf of documents bearing boldfaced paragraph headings such as “**LEGAL ACTIONS**” and, “**EARNINGS CLAIMS STATEMENT REQUIRED BY LAW**”.

Then the prospect would be asked to sign a receipt for the disclosure documents and told that he or she must **wait at least seven days** before being allowed to actually sign up for the opportunity. This waiting period would apply notwithstanding that the low-cost, low-risk IBO Plan already provides very liberal refund rights in the event the

prospect decides to cancel. The likely consequence would be to create a strong sense of doubt and suspicion in the mind of any prospect regarding the legitimacy of the offered opportunity. And while this procedure may serve to slow the spread of any fraudulent schemes which actually bother to comply with the waiting requirement, it would surely also cause substantial loss of growth for legitimate business opportunities. Given the cooling-off protections and cancellation rights already accorded purchasers by virtually all legitimate business opportunities, the proposed waiting period is an unnecessary, redundant, and unworkable restriction. It should not be included in any final rule.

### **Reference List**

Among the data required to be disclosed to prospective IBOs under the Proposed Rule are the names and identifying (contact) information for at least 10 IBOs who are located nearest to the prospect's location and who purchased the business opportunity plan within the last 3 years.<sup>9</sup> This is the sort of information which may have importance to the purchase of a high-cost, fixed location franchise, but it bears little if any relevance to the viability of, or risk involved in, the purchase of a readily portable, low-cost person-to-person marketing opportunity such as the Quixtar Plan offered by IBOAI members. And although these references would add little net protective value for the prospective recruit of an IBOAI member, their disclosure does carry significant potential for damaging that IBO's business in at least two ways:

1. *PRIVACY*: The disclosure of references must be accompanied by a clear and conspicuous statement advising prospects that if they choose to register for the

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<sup>9</sup> Traditionally direct selling companies consider lists of their independent participants to be among their most highly sensitive trade secrets. In fact, for obvious competitive considerations, no company we are aware of presently publishes or has ever voluntarily published a nationwide listing of its representatives. Consequently, for purposes of this document, we assume that any direct selling company offering a business opportunity will choose to comply with section 437.3(a)(6)(i) of the Proposed Rule by providing the list of 10 local purchasers rather than the alternative option of a nationwide list of all purchasers.

business opportunity, their personal identifying information can be disclosed to future prospects. This means the recruit would no longer be able to control when, where, how, or to whom his or her involvement in the business opportunity plan would be disclosed. In effect, this requirement would eliminate the option previously accorded new recruits to begin their involvement in the business opportunity on a low-key, casual, and personal basis. Suddenly, their name, address, and telephone number, as well as their involvement in the business, are made publicly available. The chilling effect is likely to be dramatic.

2. *Competitive Abuse*: For individual IBOAI members, particularly those whose businesses are relatively small and localized, the competitive implications of disclosing to prospects the identities of 10 local IBOs with *every* presentation of the Independent Business Ownership Plan, would be potentially devastating. It is well-recognized in the direct selling marketplace that less scrupulous start-up companies and their participants, as well as the true fraudsters and charlatans, routinely seek out and try to develop lists of their competitor's sales representatives and organizations as a target market to pitch their schemes.

The truly illegal schemes frequently prey on legitimate business opportunity purchasers, such as IBOAI members, by offering "a better deal." Such schemes are often based upon products (if any) which are shoddy and misrepresented, and involve an illegal front-loaded pyramid compensation plan. The package may be sold using any or all of the abusive practices intended to be restricted by the Proposed Rule; but because the perpetrators are ignorant of, or choose not to comply with, the law, the problem is no longer a matter of

prevention (by providing consumer information), but rather becomes a matter of *recognition* (i.e. distinguishing the scheme from the legitimate business opportunity) *and enforcement*.

Under such circumstances, requiring an IBO who is working to expand his legitimate business to identify at each solicitation the 10 IBOs located nearest to the presentation site would have the competitive effect of providing gasoline to an arsonist. No longer would the scamster need to spend time engaging individual IBOs in conversation in an effort to extract competitive sales representative contact information on an individual-by-individual basis. Rather he could now simply attend open recruiting meetings at various locations, picking up the lists of 10 names, addresses and phone numbers at each meeting.

The competitive impact of these effects falls not just on Quixtar, but even more directly and immediately on the IBO presenting the solicitation. Very often this individual's business is relatively small and *local* in its extent. It is likely, in fact, that many of the 10 IBOs to be identified in the disclosure would be upline or downline in the sponsorship organization of the soliciting IBO. The requirement of disclosing local references information to each prospect, who might in reality be a competitor looking for his own prospects, would present the IBO with a considerable barrier against engaging in any future recruitment activity. Like the seven day waiting period, this provision is unnecessary and unworkable when applied to low-cost, low-risk portable business opportunities such as the Quixtar Independent Business Ownership Plan.

## Earnings Disclosures and Substantiation

The Quixtar Independent Business Ownership Plan offered by IBOAI members provides for disclosure to prospective recruits of *actual* systemwide average earnings information. Average earnings data are provided in a company-produced brochure together with a presentation of the compensation plan that uses hypothetical performance numbers to illustrate the methods for computing bonuses and other plan incentives. This approach has functioned effectively for decades, preventing deception or misunderstanding by providing prospects with reliable contextual information for hypothetical as well as for personal earnings claims. The provisions of Section 437.4 of the Proposed Rule, however, would appear to place substantial new strictures on this long-accepted and effective procedure:

- *Substantiation for each specific claim:* Rather than permitting a single uniform body of average earnings data to provide general context for a variety of personal (actual) as well as hypothetical claims by IBOAI members systemwide, the Proposed Rule would apparently require that written materials specifically substantiating each separate claim (defined very broadly to include personal actual claims as well as hypothetical claims) be available for delivery to the prospect on request at the time the claim is made. IBOAI members whose individual businesses are large and produce above average incomes and who have routinely made *truthful* personal income claims would now be required to provide not only an expanded version of the company-produced systemwide average earnings data, but also to maintain the separate records needed to specifically substantiate their personal income claims. In

attempting to comply, they would first have to determine what records would be required to meet the substantiation obligation. If, say, an IBO wants to continue making a truthful claim that her involvement in the business has enabled her to live in a (pictured) large home in a nice neighborhood, she must decide, at the risk of her noncompliance, whether to include as substantiation her mortgage statements or receipts for neighborhood association dues payments, along with records of her earnings from the business opportunity. She could, potentially, have to provide the level of financial detail commonly associated only with loan applications, at great risk to her own information security and disclosing what most would consider to be proprietary and highly personal information

- *Provide substantiation materials to prospects on request:* Moreover, they must also be prepared to actually provide copies of all such financial records to the Commission and to *any prospect* who requests same. IBOs will be required to make copies of their most private personal and business financial records available literally to the public, including competitors, solely in order to continue a long-accepted practice of truthfully referencing what their involvement in the Independent Business Ownership Plan has meant to their lifestyle. This sort of detailed financial disclosure has traditionally been reserved by our legal system for only the senior executives of publicly traded companies. Certainly fewer successful IBOs will be inclined to make *any* claims referencing their personal results from pursuing the business opportunity if by doing so they are required to make private personal financial data publicly available. The likely result will be that their business growth will be stymied.

## Legal Actions

As presently written, the Proposed Rule requires disclosure “of any civil or criminal action for misrepresentation, fraud, securities law violations, or unfair or deceptive practices within the 10 years immediately preceding the date the business opportunity is offered.” The Rule’s definition of “seller” would seem to include any Quixtar IBO who offers to others the opportunity to register as an IBO pursuant to the Quixtar Business Ownership Plan<sup>10</sup>. At any given time, Quixtar has several hundred thousand registered IBOs in North America to whom the litigation disclosure requirement would apply.

But more importantly, the IBOAI believes the Commission’s goal to “address widespread fraud in the sale of business opportunities” will not be furthered by this part of the Proposed Rule. Instead of eliminating or curbing sellers who engage in fraudulent conduct, the requirement to disclose litigation history will only have an adverse affect on companies that strive for compliance and ethical behavior in all areas of the direct selling industry.

The Commission indicates that “litigation history is material because it bears on the ‘integrity and financial standing of the seller.’” The NPR further states that a prospective purchaser’s knowledge of the types of listed civil and criminal actions against a seller would obviously affect his decision to go forward. For the following reasons, the

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<sup>10</sup> Conversely, other parts of the Proposed Rule seem to make distinctions between a “seller” and a “salesperson” of the seller. *See, e.g.*, § 437.3(a)(1) (requiring disclosure of comprehensive identifying information of the “seller”, but only the name of the “salesperson” offering the business opportunity).

IBOAI strongly disagrees that either premise is valid or useful when a prospect is deciding whether to engage in a business opportunity.

First, the Proposed Rule does not distinguish between frivolous and meritorious claims. Moreover, there is no disclosure about the final outcome of any claims made against the seller. The NPR provides no empirical facts or data to even suggest that litigation history somehow “bears on the integrity and financial standing of the seller.” The NPR assumes that if a seller is sued, it must have engaged in the alleged wrongful conduct. In terms of volume and number of distributors, Amway/Quixtar has been the largest network marketing company in North America for many years. It logically follows by virtue of the numbers alone that more litigation has and will be filed involving Quixtar and its IBOs.

Legal counsel for the IBOAI has either been directly involved in, or aware of, much of the litigation filed against Amway/Quixtar in the last ten years. Nearly every case began with a local dispute between two or more IBOs. However, when the dispute could not be resolved the IBO filing the lawsuit also joined the Company, the IBOAI, and other IBOs who were in the upline of the filing IBO, even though the Company, the IBOAI, and upline IBOs were not at all involved in the original dispute. There has not been any case in which Amway/Quixtar has been found to have engaged in the types of claims listed in the Proposed Rule. These cases have been mostly frivolous or entirely without merit. Prospective purchasers will have no realistic (practical) way to obtain this crucial information. Only the existence of litigation will be known, leading to wholly inaccurate assumptions and conclusions.

Contrary to the Commission's view, the IBOAI believes very few prospects will attempt to navigate the Web or research other sources to determine the nature and outcome of cases. It is highly unlikely that a prospect considering an investment of around \$100 will take the time to research complex legal issues on the Internet. In fact, as discussed below, almost all prospects look only at the surface of negative information about a company and choose to go no further with the direct selling business opportunity being offered. The reality is that direct selling companies still suffer from negative stigma not felt by companies that engage in the more traditional channels of product distribution. Adding litigation history disclosure to this undeniable fact will render recruiting extremely difficult, if not impossible.

Secondly, like companies such as Microsoft and Wal-Mart, the IBOAI and IBOs have had considerable experience with several vocal detractors who publish disparaging and damaging content about Quixtar and its IBOs on the Web. Much of this information is based on rumor, innuendo, and is fabricated. These Internet-based critics mischaracterize facts, including the nature and outcome of cases involving Quixtar and IBOs. IBOs consistently report that prospects who see this information on the Web are immediately dissuaded. The mere existence of litigation causes the prospect to decline, without engaging in any further research or investigation. Internet critics will undoubtedly report that requiring disclosure of litigation history demonstrates the FTC's belief that sellers, such as Quixtar and its IBOs, who have been sued are in fact fraudulent enterprises. The merits and results of cases will be rendered meaningless by these critics.

Finally, this section of the Proposed Rule has the additional defect of requiring disclosure of confidential proceedings including court cases under protective order or

arbitrations in which the parties have contracted for confidentiality. Many of the larger, more venerable direct selling business opportunities (including Quixtar) have contractually provided for confidentiality of dispute resolution proceedings for claims between participants or between participants and the company. The rule would effectively defeat the viability of this form of alternative dispute resolution process for business opportunity sellers.

The Proposed Rule will cause substantial and unintended harm to respected sellers that will comply with the required disclosures. Conversely, those engaged in selling fraudulent business opportunities and related scams will simply sidestep the litigation disclosure requirements. These sellers have no incentive to comply and, as acknowledged by the Commission in the NPR, frequently shut down operations only to begin anew cloaked with a different entity and trade name.

In sum, the Proposed Rule for disclosing litigation history in connection with solicitations of low-cost, low-risk legitimate business opportunities such as the IBO Plan is unfairly overbroad in its application and highly prejudicial. It should be eliminated from any final rule.

## **SUMMARY AND CONCLUSION**

The IBOAI supports the FTC's efforts to define and eliminate business opportunity fraud in the United States. But, the Proposed Rule avoids use of the traditional minimum investment threshold as a factor in determining which ventures entail sufficient risk to warrant imposition of burdensome restrictions. Absent such a mechanism for distinguishing legitimate, low-cost, low-risk, opportunities such as the

Quixtar IBO plan, from pyramids or other fraudulent schemes or from business opportunities which require substantially greater, nonrefundable initial investments and which therefore entail greater risk, IBOAI members will face significant new barriers to succeeding in their legitimate businesses. A reasonable threshold of no less than a \$250 minimum initial investment requirement, similar to the several state statutes, should be written into the Proposed Rule. Alternatively, perhaps preferably, a safe harbor should be available for those business opportunities which offer a truly consumer protective refund policy together with an effective, but much abbreviated form of disclosures.

### **Paperwork**

What has traditionally been a spare time, almost casual, venture at startup will now be saddled with record maintenance and disclosure obligations worthy of a McDonald's franchise.

### **Waiting Period**

Given the cooling-off protections and cancellation rights accorded purchasers by virtually all legitimate business opportunities, the proposed waiting period is an unnecessary, redundant, and unworkable restriction. It should not be included in any final rule.

### **References**

The required disclosure of references would eliminate the choice heretofore often made by new recruits to begin their involvement in the business opportunity on a low-key, casual, and relatively private basis. Suddenly, their name, address, telephone number, and their involvement in the business, are publicly disclosed at opportunity presentations made close to their location.

The requirement for disclosing local references information to each prospect, who might in reality be a competitor looking for his own prospects, would erect a considerable barrier against an IBO engaging in any future recruitment activity. Like the seven day waiting period, this provision is unnecessary and unworkable when applied to *low-cost, low-risk* business opportunities operating in highly competitive markets such as the Quixtar Independent Business Ownership Plan.

### **Earnings Disclosures and Substantiation**

The apparent requirement that individual IBOs specifically substantiate each separate earnings claim they might make with documentation available to the Commission and to any prospective purchaser who requests it reaches well beyond what ought to be necessary for a long accepted legitimate and low-cost business opportunity such as the Quixtar IBO Plan. Even assuming the individual IBO is able to determine what records may be required to meet the substantiation obligation arising from his or her truthful personal earnings claim, fewer will be inclined to make any such claims if by doing so they are obligated to make private personal financial records publicly available. The disclosure requirement of the Proposed Rule must be substantially simplified. It ought to allow for blanket substantiation for all earnings claims using uniform systemwide baseline data provided by the company or entity which is responsible for the operation of the business opportunity and is capable of making such calculations. Alternatively, the Commission ought to clarify its definitions to make clear that individual independent participants (“purchasers”) in the business opportunity, such as Quixtar IBOs, are not considered “sellers.”

### **Legal Actions**

The proposed requirement to disclose legal actions unfairly equates even frivolous claims with criminal convictions. Few, if any, potential purchasers will bother to perform follow-up research to learn details of the listed claims, but all prospects will be severely prejudiced against participating in an opportunity by the mere existence of a list. The unintended negative effects of this disclosure requirement will fall most heavily on those opportunities offered by legitimate companies such as Amway/Quixtar, which by virtue of their size and longstanding marketplace presence will necessarily have a list of reportable claims extending over the full ten years. Conversely, the disclosure requirement will have its least impact on the targeted fraudsters who choose to ignore it.

### **Conclusion**

The IBOAI strongly urges the Commission to hold regional workshops to ensure that interested parties have a full opportunity to be heard. While many of our individual members may choose to submit written comments, others will be uncomfortable doing so. Written comments provide them with an unfamiliar and very limiting mechanism for expressing the manner in which their businesses are built, and the potentially devastating impacts the Proposed Rule would have on them. Many of the most important issues would be better explored in a setting that allows for open dialog with Commission staff. It is essential for the Commission to understand as fully as possible the nature and methods of the many legitimate business opportunities currently operating (not just Quixtar) so that the final Proposed Rule will prevent unfair and deceptive practices

without stifling competition, innovation, and opportunity for millions of current and future American entrepreneurs.

Respectfully submitted,

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