

BEFORE THE
FEDERAL TRADE COMMISSION

REBUTTAL COMMENTS OF
FRIEDMAN KAPLAN SEILER & ADELMAN LLP
TO THE COMMENTS OF PRE-PAID LEGAL SERVICES, INC.
TO THE NOTICE OF PROPOSED RULEMAKING FOR
THE BUSINESS OPPORTUNITY RULE, R511993

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Friedman Kaplan Seiler & Adelman LLP respectfully submits its rebuttal comments in response to the comments of Pre-Paid Legal Services, Inc. (“Pre-Paid”)¹ to the Federal Trade Commission’s Notice of Proposed Rulemaking for the Business Opportunity Rule, R511993, 16 C.F.R. Part 437, published in the Federal Register on April 12, 2006.²

I. Overview

In its commentary accompanying the proposed Business Opportunity Rule (the “Proposed Rule”), the Federal Trade Commission (the “Commission”) observed that “business opportunity fraud was widespread, causing serious economic harm to consumers.”³ The Commission thus set out to protect consumers of business opportunities who are not currently protected under the narrower scope of the Franchise Rule.⁴ Pre-Paid’s proposed modifications to the Proposed Rule would, if adopted, substantially undermine the policy goals articulated by the Commission, and appear to have been designed to allow companies like Pre-Paid to continue conducting business as usual. As will be discussed below, however, Pre-Paid’s idea of “business as usual” results in precisely the sort of harm to consumers that the Proposed Rule was intended to eradicate.

In crafting the Proposed Rule, the Commission recognized that “the scope of coverage of the proposed Rule is much broader than that of the Franchise Rule, while the compliance burden is much lighter.”⁵ Despite this careful balance struck by the Commission, Pre-Paid objects to the proposal on the grounds that its mandatory disclosure requirements

¹ FTC Comment # 522418-70002, available at <http://www.ftc.gov/os/comments/businessopprrule/522418-70002.pdf> (hereinafter the “Pre-Paid Comments”).

² Proposed Business Opportunity Rule, 71 Fed. Reg. No. 70 at 19054 (16 C.F.R. Part 437) (April 12, 2006).

³ 71 Fed. Reg. No. 70 at 19055; *see also id.* at 19057 (“many business opportunities are permeated with fraud.”)

⁴ *See* 16 C.F.R. Part 436.

⁵ *Id.* at 19055-56.

and seven-day waiting period are unduly burdensome for “legitimate companies such as Pre-Paid.”⁶ Pre-Paid then goes on to recommend two exemptions to the Proposed Rule: The first would excuse public or certain large privately held⁷ companies from the Proposed Rule; the second would provide an exemption for companies that require an initial investment of less than \$250. Both of these alternatives are transparently designed to exempt Pre-Paid from coverage of the Proposed Rule. Because Pre-Paid engages in the very sort of behavior that the Proposed Rule seeks to combat, Pre-Paid’s proposed exemptions should be rejected.

A. Pre-Paid Attempts to Deceive the Commission

As a threshold matter, even as it tries to persuade the Commission that it should be exempt from the Proposed Rule, Pre-Paid misleads the Commission as to the size and earnings ability of its sales staff on whose behalf Pre-Paid purports to be speaking. Specifically, Pre-Paid refers repeatedly in its Comments to its “almost 500,000 ‘Independent Associates’ who rely upon the income that Pre-Paid allows them to earn.”⁸ This is highly misleading. Pre-Paid’s 2005 Form 10-K reveals that only around 103,000 of its approximately 470,000 Associates were able to sell even *one* Pre-Paid legal service plan in 2005.⁹ And of those 103,000 Associates who sold any memberships at all last year, only 11,221 sold more than ten.¹⁰ Thus, it is simply false that nearly 500,000 Associates “rely upon the income” generated by selling Pre-Paid memberships.

⁶ Pre-Paid Comments at 1.

⁷ Pre-Paid would exempt privately held companies with more than \$250 million in revenues over each of the past two years plus at least a two-year-old, thirty-day refund policy.

⁸ Pre-Paid Comments at 2; *see also id.* at 3, 8, 9.

⁹ Pre-Paid 2005 Form 10-K at 9.

¹⁰ *Id.*

Pre-Paid's first proposed exemption posits a company's size or public ownership as a rationale for exempting it from the Proposed Rule. However, as many investors have learned through the recent collapses of Enron and WorldCom, a company's size is no guarantee of probity. Many of the Proposed Rule's disclosure requirements are every bit as important to consumers contemplating an investment in a large business opportunity provider as they are to those considering an investment in a smaller provider. In fact, given the relevant history and practices of Pre-Paid itself, the proposed disclosures and waiting period may be even more important for consumers dealing with the marketing power of a large organization.¹¹

Moreover, Pre-Paid's proposed exemptions would significantly undercut the pro-disclosure objective of the Proposed Rule, which was expressly intended to fill the sizable gap left by the limited scope of the Franchise Rule's coverage. For example, one of the core provisions of the Proposed Rule is its requirement that all business opportunity sellers disclose to potential participants the basis for any earnings claims. As the Commission notes, these types of earnings claims "underlie[] virtually all fraudulent business opportunity schemes."¹² Pre-Paid's suggested exemption would deprive consumers of this crucial disclosure from a large number of business opportunity providers. As will be described below, Pre-Paid's misleading earnings claims demonstrate why companies like Pre-Paid should *not* be exempt from the Proposed Rule's disclosure requirements.

¹¹ If anything, the streamlined disclosure requirements of the Proposed Rule would be less burdensome on precisely the sort of large public companies that Pre-Paid seeks to exempt from those requirements.

¹² 71 Fed. Reg. No. 70 at 19063.

B. Pre-Paid Conceals the True Cost of Its Business Opportunity

Pre-Paid's proposed exemption for companies that have a "minimum" or "threshold" investment of less than \$250 would also leave consumers with an unacceptable level of risk. Again, Pre-Paid's own practices illustrate why such an exemption would be unworkable and ill-advised. Pre-Paid states repeatedly in its Comments that the cost of its business opportunity has "generally been less \$150."¹³ As discussed below, however, this figure grossly understates what it actually costs Associates to obtain the full business opportunity, *i.e.*, to be eligible to sell and earn commissions on the full range of Pre-Paid's products. Indeed, the total cost of a Pre-Paid business opportunity is more than \$1,000, taking into account requisite membership, training, and subscription fees imposed upon Associates as a condition of receiving commissions on both memberships sold to the retail public and on Pre-Paid's internal Associate-to-Associate sales. As Pre-Paid's example demonstrates, an exemption based on a "minimum" investment would be susceptible to manipulation or, at best, would be difficult for the Commission to administer.

Even putting aside these verification problems, exempting sellers of relatively small business opportunities would countermand the Commission's stated objective of enacting a rule that is "much broader" in scope than the Franchise Rule, which already has a \$500 minimum investment threshold.¹⁴ In its broad coverage, the Proposed Rule recognizes that small business opportunities can present even more insidious enforcement challenges than larger franchises insofar as the smaller investor is less likely to possess the means or

¹³ *E.g.*, Pre-Paid Comments at 1, 3, 7, 12. Although Pre-Paid variously refers to this \$150 amount as "enrollment fees" and the cost of the "business opportunity," Pre-Paid clearly means to suggest that this is the total investment it requires of its Associates to sell Pre-Paid products.

¹⁴ 16 CFR at 4362(a)(2) and (a)(3)(iii). As noted by the Commission, "business opportunity sellers take advantage of the Franchise Rule's narrow focus to avoid disclosure obligations." 71 Fed. Reg. No. 70 at 19057.

incentive to thoroughly investigate the business opportunity, and would have little ability to seek redress against an unscrupulous seller.¹⁵

For this reason, the Proposed Rule properly imposes a streamlined duty of disclosure and a waiting period on *all* business opportunity sellers, regardless of their size or the size of the investments. Pre-Paid's own policies and practices underscore why Pre-Paid and companies like it should not be exempt from the reach of the Proposed Rule.

II. The Proposed Rule Is Both Necessary and Appropriate in Scope

A. The Proposed Rule's Disclosure Requirements Are Necessary and Appropriate for All Business Opportunity Sellers

Pre-Paid objects to essentially all of the disclosure requirements set forth in the Proposed Rule, arguing that the disclosures are “unreasonably burdensome for companies such as Pre-Paid and its nearly 500,000 Independent Associates.”¹⁶ Pre-Paid's reliance on its “nearly 500,000 Independent Associates” is as misleading as it is irrelevant. As noted above, while Pre-Paid claims to have 468,365 “vested” Associates, 365,117 of them (nearly 78%) failed to sell a single Pre-Paid plan in 2005, and only 11,221 (less than 2.5%) sold more than ten.¹⁷ This pattern is by no means limited to 2005. As the following chart illustrates, there has long been a vast discrepancy between Pre-Paid's announced number of “Vested Associates” and the number of Associates who actually succeed in selling more than a trivial number of memberships:¹⁸

¹⁵ See 71 Fed. Reg. No. 70 at 19056-57 (recognizing “very different regulatory challenges” posed by “business opportunity sales [that] are often less costly, involving simple purchase agreements that pose less of a financial risk for purchasers”).

¹⁶ Pre-Paid Comments at 9.

¹⁷ Pre-Paid 2005 Form 10-K at 9.

¹⁸ Source: Pre-Paid Form 10-K for years 2001 through 2005.

Year	Vested Associates	Percentage of Vested Associates who failed to sell:	
		A single membership	More than 10 memberships
2005	468,365	78%	97.6%
2004	343,696	77%	97%
2003	329,600	74%	97%
2002	341,116	70%	96%
2001	286,488	72%	95%

Thus, the number of active Associates who earn an income selling Pre-Paid products is dramatically smaller than Pre-Paid would have the Commission believe, and the corresponding disclosure burden is lighter. However, even if Pre-Paid's claim to almost 500,000 Associates could be taken at face value, Pre-Paid's objection misses the point. One of the primary goals of the Proposed Rule is to make standardized disclosure available to the broadest number of prospective buyers of business opportunities.¹⁹ Crediting Pre-Paid's claim that it has a large and growing base of business opportunity buyers and sellers, this fact renders it more – not less – important that Pre-Paid be subject to the disclosure requirements of the Proposed Rule.

In all events, it is eminently fair and sensible for Pre-Paid to bear the burden of disclosure associated with its sale of business opportunities, which accounted for a significant portion of Pre-Paid's nearly \$424 million in revenues in 2005.²⁰ Conversely, imposing separate burdens on tens of thousands of Pre-Paid's potential Associates to conduct due diligence before making their investments would be as inefficient as it is unrealistic.

¹⁹ See, e.g., 71 Fed. Reg. No. 70 at 19055-56 (“[T]he scope of coverage of the Proposed Rule is much broader than that of the Franchise Rule.”).

²⁰ Pre-Paid 2005 Form 10-K at 20. Although Pre-Paid ascribes only around \$29 million of revenues to “Associate Services,” most Associates must purchase memberships in Pre-Paid in order to become “vested.” Membership fees received from Associates amounted to approximately \$105 million in 2005, or 27% of Pre-Paid's total membership fee revenues.

1. Earnings Claims Made by Business Opportunity Sellers of Any Size Are Important Subjects for Disclosure

As the Commission has observed, “the making of earnings claims underlies virtually all fraudulent business opportunity schemes.”²¹ Business opportunity sellers often hype the earnings available to potential buyers without noting that “the vast majority of those who have joined the program ... will not recoup their investments.”²² Accordingly, the Proposed Rule would require business opportunity sellers who make earnings claims to make certain specified disclosures concerning the bases for such claims, including “the number and percentage of all purchasers during the stated time period who achieved at least the stated level of earnings.”²³

Pre-Paid complains that the Proposed Rule would include within its definition of “earnings claim” “[a]lmost any statement about income made by the business opportunity [seller],” and would necessitate “significant administrative costs to disclose these claims accurately.”²⁴ Pre-Paid is correct that the definition of “earnings claim” is very broad, as it was intended to “cover all variations of earnings representations that the Commission’s law enforcement experience shows are associated with business opportunity fraud.”²⁵ Even on its face, however, Pre-Paid’s suggestion that companies that make earnings claims should not be burdened with the cost of doing so “accurately” is ridiculous. It is especially appropriate for a company like Pre-Paid – which already expends considerable sums promoting its business

²¹ 71 Fed. Reg. No. 70 at 19063.

²² *Id.* at 19060.

²³ *Id.* at 19089.

²⁴ Pre-Paid Comments at 10.

²⁵ 71 Fed. Reg. No. 70 at 19065.

opportunities – to bear whatever additional marginal expense, if any, that may be necessary to ensure that its claims are accurate.

Upon examination of Pre-Paid’s practices, it becomes apparent that what Pre-Paid is really concerned about is not the “administrative” cost of additional disclosure, but rather the substantial blow to its recruitment efforts if Pre-Paid is required to correct or justify its earnings claims. Even a cursory review of Pre-Paid’s earnings claims reveals that Pre-Paid engages in precisely the sort of misleading disclosure that the Proposed Rule is designed to eliminate. Pre-Paid undoubtedly recognizes that accurate disclosure of earnings information would likely cost the company many millions of revenue dollars presently received from Associates misled by Pre-Paid’s earnings claims.

For example, on its website, Pre-Paid states that “if you market just 5 memberships per week, you’ll receive \$500 per week!”²⁶ An accompanying chart projects this weekly commission to a total of \$26,000 annually. Another entry on Pre-Paid’s website goes even further, stating:

If only 30 individuals within your Organization sold just one membership per week, assuming a one-year commission advance with no chargebacks, that would mean \$975 per WEEK! What if THEY each marketed three a week? What if they marketed ONE A DAY? TWO A DAY? THREE A DAY? Of course, not everyone reaches this level but think of what could happen if you did!²⁷

Pre-Paid’s disclaimer that “not everyone” reaches the advertised level of sales may charitably be described as an understatement. In fact, as noted above, fewer than 2.5% of Pre-Paid’s Associates sold even one plan *per month* in 2005, never mind the “5 memberships per week” or “THREE A DAY” cited in the above promotions. The second

²⁶ http://wserver0.prepaidlegal.com/newCorp2/bus_opp/how_3.html

²⁷ http://wserver0.prepaidlegal.com/newCorp2/bus_opp/how_4.html

representation is even more misleading when one considers that, in order to reach the level of income posited by Pre-Paid's website, a single Associate would have had to recruit into his "Organization" thirty other Associates, *all* of whom would have to fall within whatever tiny fraction of the 2.5% is made up of Associates who manage to achieve one sale per week. In short, the chance of an Associate achieving an income anywhere near the levels touted on Pre-Paid's website is, for all practical purposes, zero.

Prospective investors have a right to know the truth behind Pre-Paid's earnings claims. If potential Associates were to learn that only a minute fraction of Pre-Paid's sales force, if any, achieved the earnings advertised by Pre-Paid, it is fair to assume that Pre-Paid's Associate recruitment would drop off precipitously. It is not surprising that Pre-Paid seeks to exempt itself from the Proposed Rule's earnings disclosure requirements.²⁸

2. The Proposed Rule's Litigation Disclosure Requirement Would Ensure Access to Information Valuable to Prospective Purchasers

It also is not surprising that Pre-Paid seeks to avoid having to disclose its litigation history to potential Associates. Pre-Paid complains that the scope of the proposed litigation disclosures would confuse prospective buyers "unaccustomed to the sheer volume of litigation faced by high-revenue ... companies[.]"²⁹ However, disclosure regarding litigation matters is often the only way for a prospective investor to get a sense of whether, or to what extent, the practices of the business opportunity provider conform to legal and regulatory standards.

²⁸ In addition to misleading its prospective Associates, Pre-Paid has previously been found by a number of civil juries and the Commission to market its products through deceptive means. *See* Section II.A.2 below.

²⁹ Pre-Paid Comments at 14.

Pre-Paid's legal and regulatory history illustrates exactly why such information would be material to potential investors. For example, Pre-Paid would be required to disclose that it has been named as a defendant in several lawsuits around the country in which its sales practices have been challenged as deceptive. Pre-Paid was recently found liable for misrepresentations regarding its products in two civil actions filed in Mississippi on behalf of Pre-Paid customers in that state. On November 15, 2005, a jury in one of the Mississippi actions returned a \$9.9 million punitive damages verdict against Pre-Paid and its CEO, Harlan Stonecipher.³⁰ Disclosure of this litigation – as well as litigation currently pending between Pre-Paid and a number of its former Associates – would almost certainly be material to a consumer considering whether to invest in an opportunity to sell Pre-Paid's products.

The Proposed Rule also would require Pre-Paid to disclose that it was the subject of a proceeding brought by the Commission, which filed an action against Pre-Paid in 1997 related to the company's sale of living trusts. Pre-Paid eventually entered into a settlement agreement acknowledging that its salespersons misled customers, many of whom were elderly, about the risks and benefits of living trusts.³¹ As part of its settlement with the Commission, Pre-Paid agreed to refund \$165 to each purchaser of a living trust, and consented to a 20-year cease and desist order.

Similarly, Pre-Paid would be required to disclose that it was the subject of an action by the Securities and Exchange Commission, which in 2001 required Pre-Paid to restate its earnings after concluding that the company failed to comply with Generally

³⁰ See <http://biz.yahoo.com/prnews/051116/daw026.html?.v=33>

³¹ *In re Pre-Paid Legal Services, Inc.*, FTC File No. 932-3019 (January 16, 1997). The settlement agreement is available at <http://www.ftc.gov/os/1997/01/asfscpre.pdf>.

Accepted Accounting Principles. As a result of the restatement, Pre-Paid's reported profits for 2000 were reduced by 64% and its net worth was reduced by 74%.

Moreover, Pre-Paid's CEO, Harlan Stonecipher, is not the only senior member of its organization who has been faced with legal and administrative penalties. Paul J. Meyer, who has long been affiliated with Pre-Paid and is currently its authorized Residual Income Trainer, has *twice* been charged by the Commission with misleading and deceptive conduct – including the making of false earnings claims – in connection with his prior franchise business.³² This disclosure would be highly material to potential Pre-Paid Associates to the extent that Meyer continues to engage in similar practices at Pre-Paid.³³

The Proposed Rule reflects the Commission's sound policy judgment that prospective purchasers of Pre-Paid's business opportunities are entitled to the above disclosures when considering whether to invest with Pre-Paid. Pre-Paid's proposed exemption would effectively deprive them of this disclosure.³⁴

3. The Proposed Rule's Reference Requirements Do Not Violate Any Legitimate Privacy Concerns or Privilege

Given the small percentage of Pre-Paid Associates who succeed in selling so much as a single membership in a given year, Pre-Paid's preference to avoid having to furnish Associate references to prospective Associates is understandable. However, the pretexts Pre-Paid offers for opposing the Proposed Rule's reference requirement do not withstand scrutiny.

³² See <http://www.ftc.gov/opa/1995/06/smi.htm>.

³³ See http://wserver0.prepaidlegal.com/pdf/paul_meyer/meyer_letter5.pdf.

³⁴ Pre-Paid's assertion that it already discloses material pending legal proceedings in its SEC filings completely misses the point. Prospective consumers of Pre-Paid's business opportunities should not be required to obtain and review Pre-Paid's voluminous regulatory filings spanning a ten-year period in order to learn about Pre-Paid's litigation history.

First, Pre-Paid asserts that the inclusion of Associates on a list of references “would reveal information not available in a phone book, namely an individual’s income source.” Putting aside the fact that the sale of Pre-Paid memberships historically provides very little income, if any, to the majority of Pre-Paid’s Associates, an Associate has little expectation of privacy in the fact that he or she has undertaken to sell Pre-Paid products – a fact that Pre-Paid encourages its Associates to advertise publicly through websites and other media.

Pre-Paid also raises an objection to the reference requirement that is ostensibly unique to its business. Pre-Paid claims that because most Independent Associates are also members of Pre-Paid, the disclosure of their identities may violate the attorney-client privilege by revealing that “these individuals may or may not have consulted with an attorney[.]”³⁵ This objection is baseless for at least two reasons. First, the mere fact that an individual “may or may not” have consulted with an attorney is not covered by the attorney-client privilege. Second, any information in the possession of Pre-Paid is by definition *not* privileged because Pre-Paid is neither an attorney nor a co-client of its members. Indeed, any communication of privileged information to Pre-Paid by its “Provider Attorneys” would raise serious ethical issues, and would, at the very least, result in a waiver of any privilege.

The concern raised by Pre-Paid regarding disclosure of proprietary customer information has already been considered by the Commission, which concluded that “the value to prospects of information about prior purchasers is so great as to outweigh any potential detriment to sellers jealous of their customer base.”³⁶

³⁵ Pre-Paid Comments at 11-12.

³⁶ 71 Fed. Reg. No. 70 at 19071.

B. The Waiting Period Should Apply to All Business Opportunity Sellers

In objecting to the Proposed Rule's seven-day waiting period, Pre-Paid claims, among other things, that Associate enrollment fees have "generally been less than \$150," that "there are no continuing obligations placed upon the newly enrolled Independent Associate and no further financial obligations are required."³⁷ It thus argues that imposing a seven-day waiting period before a potential Associate may sign a contract or make a payment is unnecessary and unreasonably burdensome. Pre-Paid's description of the costs of its business opportunity are highly misleading, and underscores the need to provide potential purchasers with a chance to "look before they leap."

Contrary to Pre-Paid's assertions, an Associate's financial obligations to Pre-Paid do not end with the payment of the enrollment fee. The initial fee merely covers a new Associate's enrollment, and gives him or her the right to attend a "Fast Start" training session that purports to help get the franchise off the ground. However, once enrolled, Associates must pay additional fees in order to sell and earn commissions on the full range of Pre-Paid products.

For example, to be entitled to receive residual commissions on membership plans that they sell, the Associate must become "vested" either by purchasing an annual Pre-Paid legal services plan (the cost of which ranges from \$180 to \$300 per year) or selling at least twelve such plans each year. As noted above, Pre-Paid's own public filings reveal that more than 97% of its Associates failed to achieve even ten sales per year in 2005,³⁸ meaning that the purchase of a plan is mandatory for the vast majority of Associates who wish to

³⁷ Pre-Paid Comments at 7-8.

³⁸ Pre-Paid 2005 Form 10-K at 9.

become “vested.”³⁹ Moreover, Associates are required to pay hundreds of dollars in additional “training” fees to be eligible to sell certain of Pre-Paid’s more popular and lucrative products, such as group coverage and commercial drivers’ coverage.

In addition to the products it recruits Associates to sell to the public, Pre-Paid also has a selection of products (known as “distributor-to-distributor” products) which are sold by Associates to other Associates. These products typically take the form of marketing materials or sales aids. Associates must pay additional fees to become eligible to earn commissions on sales of these products. For example Pre-Paid’s “eService” program is a web-based service through which Associates market Pre-Paid products. Sales Associates sell access to this service to other Associates at a cost of \$249 per year. In order for an Associate to receive residual commissions on the downline sales of the service to other Associates, he or she is required to purchase a membership in the program. Similarly, Pre-Paid sells its Associates memberships in the Pre-Paid Legal Benefits Association (“PPLBA”), which provides long-distance telephone services, travel discounts, credit cards, and other services to Associates. Membership in the PPLBA costs \$312 in an Associate’s first year. An Associate must purchase a membership in the PPLBA in order to be entitled to commissions on sales of PPLBA memberships to other Associates.⁴⁰

In sum, in order to gain access to and earn commissions on the full range of Pre-Paid products, both public and distributor-to-distributor, new Associates must pay more than \$1,000 in their first year – many times the enrollment fee advertised by Pre-Paid. Pre-Paid’s fee structure thus demonstrates just how deceptive and susceptible to manipulation

³⁹ Pre-Paid acknowledges that “most Independent Associates are members of Pre-Paid[.]” Pre-Paid Comments at 11.

⁴⁰ Although Pre-Paid claims that the PPLBA is a separate organization not owned or controlled by Pre-Paid, the two companies share a headquarters and a web server.

minimum investment claims can be. These substantial additional fees – many of which are non-refundable – highlight the necessity of giving prospective Associates a waiting period in which to investigate the full scope of their commitment before being lured into investing in Pre-Paid based on deceptively understated enrollment fees.⁴¹

IV. Conclusion

The Commission drafted the Proposed Rule in recognition of the fact that “business opportunity fraud was widespread, causing serious economic harm to consumers.”⁴² The Proposed Rule is designed to regulate the wide array of business opportunities that are not currently regulated under the narrower scope of the Franchise Rule. Pre-Paid’s proposed modifications – which would exempt from coverage of the Proposed Rule public and large privately held sellers of business opportunities, or those whose minimum investment is less than \$250 – would seriously undercut the objectives of the Proposed Rule. As Pre-Paid’s own history and practices demonstrate, the size of the company and the stated cost of its business opportunity are not reliable measures of the company’s integrity, and do not provide appropriate bases for exemption from coverage. Pre-Paid and companies like it provide concrete examples of the very sort of practices that the Proposed Rule was designed to eradicate, and illustrate why the disclosure requirements and waiting period that are the cornerstones of the Proposed Rule must be uniformly applied to all business opportunity sellers. Pre-Paid’s proposed modifications of the Proposed Rule should therefore be rejected by the Commission.

⁴¹ If the Commission were inclined to adopt some form of investment threshold – which we believe would be ill-advised – clearly it would need to do so in a manner that aggregates fees payable over time and accounts for all fees reasonably necessary to acquire the business opportunity.

⁴² 71 Fed. Reg. No. 70 at 19055; *see also id.* at 19057 (“[M]any business opportunities are permeated with fraud.”).