

Congress of the United States
Washington, DC 20515

November 19, 2007

Deborah Platt Majoras
Chair
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

Dear Chair Majoras:

As members of the Congressional Black Caucus (CBC), we write to express our concerns with the proposed Business Opportunity Rule (16 CFR Part 437), which we believe would impede legitimate small business opportunities for African Americans. As a body, we are committed to promoting entrepreneurship and economic empowerment for countless African American entrepreneurs, and we echo the feelings of many of our constituents who have submitted comments to the Federal Trade Commission (Commission) concerning this issue.

We are grateful for the work of the Commission to protect the interests of consumers; our constituents must be made aware of the potential risks of various enterprises. Unfortunately, too often vulnerable Americans, including African Americans, are pitched misleading and costly business opportunities by unscrupulous people seeking financial gain at the expense of others' livelihoods. The Commission's continuous attention to combating deceptive business practices plays an important role in ensuring the existence and expansion of small businesses, especially for African Americans, and we thoroughly appreciate these efforts.

We acknowledge end-user disclosures are important ways to describe the potential risks of involvement in a business opportunity and we applaud the Commission's decision to mandate substantiation of earnings claims, as well as the details and statistics of a company's cancellation and refund policies. We feel this information can provide better assurances to prospective investors. However, the CBC believes the scope of this rule is simply too broad, despite the Commission's recognition of the differences in risks of various types of enterprises. While no business is perfect or complaint-free, we feel this proposal unfairly pools many of the good apples together with the bad apples. We appreciate the Commission's attempts to reduce the burden of compliance costs and paperwork for all, but as it stands, this rule will negatively affect many long-standing, reputable enterprises with well-established and transparent business practices.


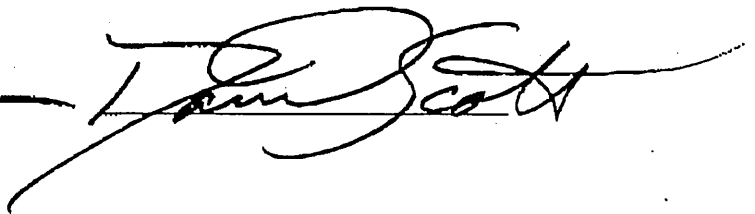
Before imposing potentially overwhelming disclosure requirements to all business opportunities, we bring to your attention just three (3) examples of the proposed rule's deficiencies:

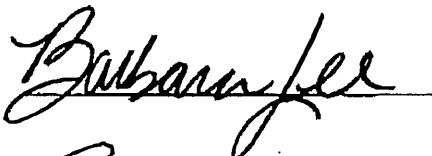
1. The proposed rule disregards initial investment cost differences between business opportunities and franchises, and requires a seven-day waiting period for the former. In the nature of sales, such a long "cooling period" could impede our constituents' abilities severely.
2. The proposed rule burdens independent sales associates with disclosing extensive lists of a company's litigation history, including lawsuits that could be or should be deemed frivolous.
3. The proposed rule requires individuals to provide ten references, which could be seemingly impossible for new associates who have not yet made ten contacts.

We recognize and respect the progress the Commission has made on this important issue over the last decade. However, we feel many stakeholders, including the most reputable leaders in this industry, should have a seat at the decision making table with the Commission. For decades, many of these companies have held membership within the Better Business Bureau (BBB), a highly esteemed organization, whose mission is to ensure trust in business practices in the marketplace. By incorporating the expertise of the BBB, as well as the best practices of multilevel marketing companies it officially accredits, the Commission could promulgate a rule that is fair to the industry and targeted in order to best protect consumers from the most problematic enterprises.

In the interest of African Americans who will be affected by the proposed rule, the CBC hopes that the Commission will invite all relevant stakeholders to the table prior to the publication of a final rule.

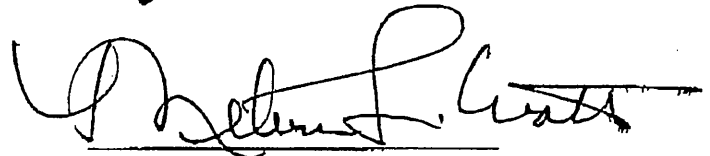
Sincerely,









Law

Caryn A. Kelso

Eleanor H. Norton

John M. Holt

Edie King

Yvette D. Clarke

Gregory A. Meek

Laura Richardson

Danny H. Davis

Erin O'Leary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 29, 2007

The Honorable David Scott
United States House of Representatives
Washington, DC 20515

Dear Representative Scott:

Thank you for your letter to the Federal Trade Commission concerning the Commission's proposed Business Opportunity Rule. As you know, the rulemaking proceeding is ongoing, and members of the Commission staff are currently reviewing comments submitted in response to the Notice of Proposed Rulemaking. Your letter and this response will be made part of the public record of that rulemaking proceeding, and I am happy to provide an update on the status of the rulemaking proceeding.

The Commission issued a Notice of Proposed Rulemaking concerning the proposed Business Opportunity Rule on April 12, 2006.¹ The version of the rule that the Commission initially proposed was designed to prevent deception of and resulting economic harm to prospective purchasers of a given business opportunity by ensuring that they receive a one-page disclosure document that provides essential material information concerning that business opportunity. The requirement to provide this disclosure document would cover all types of business opportunity sellers, including those employing the multi-level marketing model, which is a form of direct selling. In the Commission's enforcement experience, fraudulent businesses have often passed themselves off as legitimate companies that use this business model. Specifically, many pyramid schemes have masqueraded as legitimate multi-level marketing companies.²

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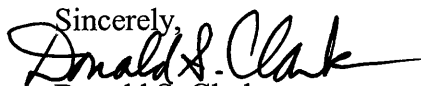
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In the April 2006 Notice of Proposed Rulemaking, the Commission invited comments on its proposal and received more than 17,000 comments in response. Many comments express support for the proposed rule and emphasize the importance of weeding out fraudulent operators from the marketplace, but many comments also posit that the proposal would impose disproportionate compliance burdens on legitimate multi-level marketing companies and their networks of independent sales associates. Your letter echoes many of the themes that were sounded in these comments, including the costs of requiring a seven-day waiting period, disclosure of a business opportunity seller's litigation history, and disclosure of a list of the previous purchasers of the opportunity who could provide first-hand information about their experiences with it.

Members of the Commission staff are currently reviewing and analyzing the comments and the issues they raise, including the scope of the proposed rule, which encompasses multi-level marketing companies. One significant issue is whether the proposed rule achieves the proper balance in protecting prospective purchasers against pyramid schemes without imposing unintended and unnecessary compliance burdens on legitimate multilevel marketing companies and their networks of independent sales associates. These concerns are articulated very clearly and in detail in the comments the Commission received from the industry. The Commission staff appreciate these concerns, and will carefully consider them as they determine what steps to recommend that the Commission take next in the ongoing Business Opportunity rulemaking proceeding.

I should note that the portion of the Federal Trade Commission Act that governs Commission promulgation of trade regulation rules, 15 USC 57a *et seq.*, provides numerous opportunities for public comment and oral participation with respect to any rulemaking proposals. I should also note, without prejudging any aspect of this matter in any way, that the final rule adopted at the conclusion of a Commission rulemaking proceeding often differs in one or more respects from the initial version proposed at the beginning of the proceeding.

We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of our Office of Congressional Relations, at (202) 326-2195. Thank you for your interest in the Commission.

Sincerely,

Donald S. Clark
Secretary of the Commission

JFM 99CV 3679 (D. Md. 1999); *FTC v. FutureNet, Inc.*, No. CV-98-1113 GHK (BQRx) (C.D. Cal. 1998); *FTC v. Nia Cano*, No. 97-7947-CAS (AJWx) (C.D. Cal. 1997); *FTC v. Jewelway, Int'l*, No. CV-97 TUC JMR (D. Ariz. 1997); *FTC v. World Class Network, Inc.*, No. SACV-97-162-AHS (EEx) (C.D. Cal. 1997); *FTC v. Global Assistance Network for Charities*, No. 96-2494 PHX RCB (D. Ariz. 1996). *FTC v. Fortuna Alliance, LLC*, No. C96-799M (W.D. Wash. 1996).



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 29, 2007

The Honorable Albert Wynn
United States House of Representatives
Washington, DC 20515

Dear Representative Wynn:

Thank you for your letter to the Federal Trade Commission concerning the Commission's proposed Business Opportunity Rule. As you know, the rulemaking proceeding is ongoing, and members of the Commission staff are currently reviewing comments submitted in response to the Notice of Proposed Rulemaking. Your letter and this response will be made part of the public record of that rulemaking proceeding, and I am happy to provide an update on the status of the rulemaking proceeding.

The Commission issued a Notice of Proposed Rulemaking concerning the proposed Business Opportunity Rule on April 12, 2006.³ The version of the rule that the Commission initially proposed was designed to prevent deception of and resulting economic harm to prospective purchasers of a given business opportunity by ensuring that they receive a one-page disclosure document that provides essential material information concerning that business opportunity. The requirement to provide this disclosure document would cover all types of business opportunity sellers, including those employing the multi-level marketing model, which is a form of direct selling. In the Commission's enforcement experience, fraudulent businesses have often passed themselves off as legitimate companies that use this business model. Specifically, many pyramid schemes have masqueraded as legitimate multi-level marketing companies.⁴

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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of our Office of Congressional Relations, at (202) 326-2195. Thank you for your interest in the Commission.

Sincerely,

Donald S. Clark
Secretary of the Commission

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Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 29, 2007

The Honorable Barbara Lee
United States House of Representatives
Washington, DC 20515

Dear Representative Lee:

Thank you for your letter to the Federal Trade Commission concerning the Commission's proposed Business Opportunity Rule. As you know, the rulemaking proceeding is ongoing, and members of the Commission staff are currently reviewing comments submitted in response to the Notice of Proposed Rulemaking. Your letter and this response will be made part of the public record of that rulemaking proceeding, and I am happy to provide an update on the status of the rulemaking proceeding.

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Sincerely,

Donald S. Clark
Secretary of the Commission

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Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 29, 2007

The Honorable Corrine Brown
United States House of Representatives
Washington, DC 20515

Dear Representative Brown:

Thank you for your letter to the Federal Trade Commission concerning the Commission's proposed Business Opportunity Rule. As you know, the rulemaking proceeding is ongoing, and members of the Commission staff are currently reviewing comments submitted in response to the Notice of Proposed Rulemaking. Your letter and this response will be made part of the public record of that rulemaking proceeding, and I am happy to provide an update on the status of the rulemaking proceeding.

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Secretary of the Commission

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Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 29, 2007

The Honorable John Lewis
United States House of Representatives
Washington, DC 20515

Dear Representative Lewis:

Thank you for your letter to the Federal Trade Commission concerning the Commission's proposed Business Opportunity Rule. As you know, the rulemaking proceeding is ongoing, and members of the Commission staff are currently reviewing comments submitted in response to the Notice of Proposed Rulemaking. Your letter and this response will be made part of the public record of that rulemaking proceeding, and I am happy to provide an update on the status of the rulemaking proceeding.

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Office of the Secretary

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November 29, 2007

The Honorable Eleanor Holmes Norton
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Dear Representative Norton:

Thank you for your letter to the Federal Trade Commission concerning the Commission's proposed Business Opportunity Rule. As you know, the rulemaking proceeding is ongoing, and members of the Commission staff are currently reviewing comments submitted in response to the Notice of Proposed Rulemaking. Your letter and this response will be made part of the public record of that rulemaking proceeding, and I am happy to provide an update on the status of the rulemaking proceeding.

The Commission issued a Notice of Proposed Rulemaking concerning the proposed Business Opportunity Rule on April 12, 2006.¹¹ The version of the rule that the Commission initially proposed was designed to prevent deception of and resulting economic harm to prospective purchasers of a given business opportunity by ensuring that they receive a one-page disclosure document that provides essential material information concerning that business opportunity. The requirement to provide this disclosure document would cover all types of business opportunity sellers, including those employing the multi-level marketing model, which is a form of direct selling. In the Commission's enforcement experience, fraudulent businesses have often passed themselves off as legitimate companies that use this business model. Specifically, many pyramid schemes have masqueraded as legitimate multi-level marketing companies.¹²

¹¹ See 16 CFR Part 437: *Business Opportunity Rule: Federal Trade Commission: Notice of Proposed Rulemaking*, 71 Fed. Reg. 19054 (April 12, 2006).


¹² The Commission has a long history of law enforcement action against pyramid schemes. *FTC v. Sun Ray Trading, Inc.*, No. 05-20402-CIV-Seitz/Bandstra (S.D. Fla. 2005); *FTC v. NexGen3000.com*, No. CIV-03-120 TUC WDB (D. Ariz. 2003); *FTC v. ICR Servs.*, No. 03 C 5532 (N.D. Ill. 2003); *FTC v. Trek Alliance, Inc.*, No. 02-9270 SJL (AJWx) (C.D. Cal. 2002); *FTC v. Universal Direct*, No. C 3-02-145 (S.D. Ohio 2002); *FTC v. SkyBiz.com*, No. 01-CV-0396-EA (X) (N.D. Okla. 2001); *FTC v. Bigsmart.com*, No. CIV 01-0466 PHX ROS (D. Ariz. 2001); *FTC v. Streamline Int'l, Inc.*, No. 01-6885-CIV-Ferguson (S.D. Fla. 2001); *FTC v. Equinox, Int'l*, No. CV-S-99-0960-JBR-RLH (D. Nev. 1999); *FTC v. Five Star Auto Club, Inc.*, No. CIV-99-1693 McMahan (S.D.N.Y. 1999); *FTC v. 2Xtreme Performance Int'l, LLC*, No.

In the April 2006 Notice of Proposed Rulemaking, the Commission invited comments on its proposal and received more than 17,000 comments in response. Many comments express support for the proposed rule and emphasize the importance of weeding out fraudulent operators from the marketplace, but many comments also posit that the proposal would impose disproportionate compliance burdens on legitimate multi-level marketing companies and their networks of independent sales associates. Your letter echoes many of the themes that were sounded in these comments, including the costs of requiring a seven-day waiting period, disclosure of a business opportunity seller's litigation history, and disclosure of a list of the previous purchasers of the opportunity who could provide first-hand information about their experiences with it.

Members of the Commission staff are currently reviewing and analyzing the comments and the issues they raise, including the scope of the proposed rule, which encompasses multi-level marketing companies. One significant issue is whether the proposed rule achieves the proper balance in protecting prospective purchasers against pyramid schemes without imposing unintended and unnecessary compliance burdens on legitimate multilevel marketing companies and their networks of independent sales associates. These concerns are articulated very clearly and in detail in the comments the Commission received from the industry. The Commission staff appreciate these concerns, and will carefully consider them as they determine what steps to recommend that the Commission take next in the ongoing Business Opportunity rulemaking proceeding.

I should note that the portion of the Federal Trade Commission Act that governs Commission promulgation of trade regulation rules, 15 USC 57a *et seq.*, provides numerous opportunities for public comment and oral participation with respect to any rulemaking proposals. I should also note, without prejudging any aspect of this matter in any way, that the final rule adopted at the conclusion of a Commission rulemaking proceeding often differs in one or more respects from the initial version proposed at the beginning of the proceeding.

We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of our Office of Congressional Relations, at (202) 326-2195. Thank you for your interest in the Commission.

Sincerely,

Donald S. Clark
Secretary of the Commission

JFM 99CV 3679 (D. Md. 1999); *FTC v. FutureNet, Inc.*, No. CV-98-1113 GHK (BQRx) (C.D. Cal. 1998); *FTC v. Nia Cano*, No. 97-7947-CAS (AJWx) (C.D. Cal. 1997); *FTC v. Jewelway, Int'l*, No. CV-97 TUC JMR (D. Ariz. 1997); *FTC v. World Class Network, Inc.*, No. SACV-97-162-AHS (EEx) (C.D. Cal. 1997); *FTC v. Global Assistance Network for Charities*, No. 96-2494 PHX RCB (D. Ariz. 1996). *FTC v. Fortuna Alliance, LLC*, No. C96-799M (W.D. Wash. 1996).



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 29, 2007

The Honorable Eddie Johnson
United States House of Representatives
Washington, DC 20515

Dear Representative Johnson:

Thank you for your letter to the Federal Trade Commission concerning the Commission's proposed Business Opportunity Rule. As you know, the rulemaking proceeding is ongoing, and members of the Commission staff are currently reviewing comments submitted in response to the Notice of Proposed Rulemaking. Your letter and this response will be made part of the public record of that rulemaking proceeding, and I am happy to provide an update on the status of the rulemaking proceeding.

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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of our Office of Congressional Relations, at (202) 326-2195. Thank you for your interest in the Commission.

Sincerely,

Donald S. Clark
Secretary of the Commission

JFM 99CV 3679 (D. Md. 1999); *FTC v. FutureNet, Inc.*, No. CV-98-1113 GHK (BQRx) (C.D. Cal. 1998); *FTC v. Nia Cano*, No. 97-7947-CAS (AJWx) (C.D. Cal. 1997); *FTC v. Jewelway, Int'l*, No. CV-97 TUC JMR (D. Ariz. 1997); *FTC v. World Class Network, Inc.*, No. SACV-97-162-AHS (EEx) (C.D. Cal. 1997); *FTC v. Global Assistance Network for Charities*, No. 96-2494 PHX RCB (D. Ariz. 1996). *FTC v. Fortuna Alliance, LLC*, No. C96-799M (W.D. Wash. 1996).



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 29, 2007

The Honorable Gregory Meeks
United States House of Representatives
Washington, DC 20515

Dear Representative Meeks:

Thank you for your letter to the Federal Trade Commission concerning the Commission's proposed Business Opportunity Rule. As you know, the rulemaking proceeding is ongoing, and members of the Commission staff are currently reviewing comments submitted in response to the Notice of Proposed Rulemaking. Your letter and this response will be made part of the public record of that rulemaking proceeding, and I am happy to provide an update on the status of the rulemaking proceeding.

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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of our Office of Congressional Relations, at (202) 326-2195. Thank you for your interest in the Commission.

Sincerely

Donald S. Clark
Secretary of the Commission

JFM 99CV 3679 (D. Md. 1999); *FTC v. FutureNet, Inc.*, No. CV-98-1113 GHK (BQRx) (C.D. Cal. 1998); *FTC v. Nia Cano*, No. 97-7947-CAS (AJWx) (C.D. Cal. 1997); *FTC v. Jewelway, Int'l*, No. CV-97 TUC JMR (D. Ariz. 1997); *FTC v. World Class Network, Inc.*, No. SACV-97-162-AHS (EEx) (C.D. Cal. 1997); *FTC v. Global Assistance Network for Charities*, No. 96-2494 PHX RCB (D. Ariz. 1996). *FTC v. Fortuna Alliance, LLC*, No. C96-799M (W.D. Wash. 1996).



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 29, 2007

The Honorable Danny Davis
United States House of Representatives
Washington, DC 20515

Dear Representative Davis:

Thank you for your letter to the Federal Trade Commission concerning the Commission's proposed Business Opportunity Rule. As you know, the rulemaking proceeding is ongoing, and members of the Commission staff are currently reviewing comments submitted in response to the Notice of Proposed Rulemaking. Your letter and this response will be made part of the public record of that rulemaking proceeding, and I am happy to provide an update on the status of the rulemaking proceeding.

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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of our Office of Congressional Relations, at (202) 326-2195. Thank you for your interest in the Commission.

Sincerely,

Donald S. Clark
Secretary of the Commission

JFM 99CV 3679 (D. Md. 1999); *FTC v. FutureNet, Inc.*, No. CV-98-1113 GHK (BQRx) (C.D. Cal. 1998); *FTC v. Nia Cano*, No. 97-7947-CAS (AJWx) (C.D. Cal. 1997); *FTC v. Jewelway, Int'l*, No. CV-97 TUC JMR (D. Ariz. 1997); *FTC v. World Class Network, Inc.*, No. SACV-97-162-AHS (EEEx) (C.D. Cal. 1997); *FTC v. Global Assistance Network for Charities*, No. 96-2494 PHX RCB (D. Ariz. 1996). *FTC v. Fortuna Alliance, LLC*, No. C96-799M (W.D. Wash. 1996).



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 29, 2007

The Honorable Elijah Cummings
United States House of Representatives
Washington, DC 20515

Dear Representative Cummings:

Thank you for your letter to the Federal Trade Commission concerning the Commission's proposed Business Opportunity Rule. As you know, the rulemaking proceeding is ongoing, and members of the Commission staff are currently reviewing comments submitted in response to the Notice of Proposed Rulemaking. Your letter and this response will be made part of the public record of that rulemaking proceeding, and I am happy to provide an update on the status of the rulemaking proceeding.

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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of our Office of Congressional Relations, at (202) 326-2195. Thank you for your interest in the Commission.

Sincerely,

Donald S. Clark
Secretary of the Commission

JFM 99CV 3679 (D. Md. 1999); *FTC v. FutureNet, Inc.*, No. CV-98-1113 GHK (BQRx) (C.D. Cal. 1998); *FTC v. Nia Cano*, No. 97-7947-CAS (AJWx) (C.D. Cal. 1997); *FTC v. Jewelway, Int'l*, No. CV-97 TUC JMR (D. Ariz. 1997); *FTC v. World Class Network, Inc.*, No. SACV-97-162-AHS (EEx) (C.D. Cal. 1997); *FTC v. Global Assistance Network for Charities*, No. 96-2494 PHX RCB (D. Ariz. 1996). *FTC v. Fortuna Alliance, LLC*, No. C96-799M (W.D. Wash. 1996).



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 29, 2007

The Honorable Melvin Watt
United States House of Representatives
Washington, DC 20515

Dear Representative Watt:

Thank you for your letter to the Federal Trade Commission concerning the Commission's proposed Business Opportunity Rule. As you know, the rulemaking proceeding is ongoing, and members of the Commission staff are currently reviewing comments submitted in response to the Notice of Proposed Rulemaking. Your letter and this response will be made part of the public record of that rulemaking proceeding, and I am happy to provide an update on the status of the rulemaking proceeding.

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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of our Office of Congressional Relations, at (202) 326-2195. Thank you for your interest in the Commission.

Sincerely,

Donald S. Clark
Secretary of the Commission

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Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 29, 2007

The Honorable Carolyn Kilpatrick
United States House of Representatives
Washington, DC 20515

Dear Representative Kilpatrick:

Thank you for your letter to the Federal Trade Commission concerning the Commission's proposed Business Opportunity Rule. As you know, the rulemaking proceeding is ongoing, and members of the Commission staff are currently reviewing comments submitted in response to the Notice of Proposed Rulemaking. Your letter and this response will be made part of the public record of that rulemaking proceeding, and I am happy to provide an update on the status of the rulemaking proceeding.

The Commission issued a Notice of Proposed Rulemaking concerning the proposed Business Opportunity Rule on April 12, 2006.²³ The version of the rule that the Commission initially proposed was designed to prevent deception of and resulting economic harm to prospective purchasers of a given business opportunity by ensuring that they receive a one-page disclosure document that provides essential material information concerning that business opportunity. The requirement to provide this disclosure document would cover all types of business opportunity sellers, including those employing the multi-level marketing model, which is a form of direct selling. In the Commission's enforcement experience, fraudulent businesses have often passed themselves off as legitimate companies that use this business model. Specifically, many pyramid schemes have masqueraded as legitimate multi-level marketing companies.²⁴

²³ See 16 CFR Part 437: *Business Opportunity Rule: Federal Trade Commission: Notice of Proposed Rulemaking*, 71 Fed. Reg. 19054 (April 12, 2006).


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In the April 2006 Notice of Proposed Rulemaking, the Commission invited comments on its proposal and received more than 17,000 comments in response. Many comments express support for the proposed rule and emphasize the importance of weeding out fraudulent operators from the marketplace, but many comments also posit that the proposal would impose disproportionate compliance burdens on legitimate multi-level marketing companies and their networks of independent sales associates. Your letter echoes many of the themes that were sounded in these comments, including the costs of requiring a seven-day waiting period, disclosure of a business opportunity seller's litigation history, and disclosure of a list of the previous purchasers of the opportunity who could provide first-hand information about their experiences with it.

Members of the Commission staff are currently reviewing and analyzing the comments and the issues they raise, including the scope of the proposed rule, which encompasses multi-level marketing companies. One significant issue is whether the proposed rule achieves the proper balance in protecting prospective purchasers against pyramid schemes without imposing unintended and unnecessary compliance burdens on legitimate multilevel marketing companies and their networks of independent sales associates. These concerns are articulated very clearly and in detail in the comments the Commission received from the industry. The Commission staff appreciate these concerns, and will carefully consider them as they determine what steps to recommend that the Commission take next in the ongoing Business Opportunity rulemaking proceeding.

I should note that the portion of the Federal Trade Commission Act that governs Commission promulgation of trade regulation rules, 15 USC 57a *et seq.*, provides numerous opportunities for public comment and oral participation with respect to any rulemaking proposals. I should also note, without prejudging any aspect of this matter in any way, that the final rule adopted at the conclusion of a Commission rulemaking proceeding often differs in one or more respects from the initial version proposed at the beginning of the proceeding.

We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of our Office of Congressional Relations, at (202) 326-2195. Thank you for your interest in the Commission.

Sincerely,

Donald S. Clark
Secretary of the Commission

JFM 99CV 3679 (D. Md. 1999); *FTC v. FutureNet, Inc.*, No. CV-98-1113 GHK (BQRx) (C.D. Cal. 1998); *FTC v. Nia Cano*, No. 97-7947-CAS (AJWx) (C.D. Cal. 1997); *FTC v. Jewelway, Int'l*, No. CV-97 TUC JMR (D. Ariz. 1997); *FTC v. World Class Network, Inc.*, No. SACV-97-162-AHS (EEx) (C.D. Cal. 1997); *FTC v. Global Assistance Network for Charities*, No. 96-2494 PHX RCB (D. Ariz. 1996). *FTC v. Fortuna Alliance, LLC*, No. C96-799M (W.D. Wash. 1996).



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 29, 2007

The Honorable Yvette Clarke
United States House of Representatives
Washington, DC 20515

Dear Representative Clarke:

Thank you for your letter to the Federal Trade Commission concerning the Commission's proposed Business Opportunity Rule. As you know, the rulemaking proceeding is ongoing, and members of the Commission staff are currently reviewing comments submitted in response to the Notice of Proposed Rulemaking. Your letter and this response will be made part of the public record of that rulemaking proceeding, and I am happy to provide an update on the status of the rulemaking proceeding.

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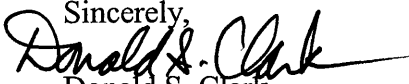
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of our Office of Congressional Relations, at (202) 326-2195. Thank you for your interest in the Commission.

Sincerely,

Donald S. Clark
Secretary of the Commission

JFM 99CV 3679 (D. Md. 1999); *FTC v. FutureNet, Inc.*, No. CV-98-1113 GHK (BQRx) (C.D. Cal. 1998); *FTC v. Nia Cano*, No. 97-7947-CAS (AJWx) (C.D. Cal. 1997); *FTC v. Jewelway, Int'l*, No. CV-97 TUC JMR (D. Ariz. 1997); *FTC v. World Class Network, Inc.*, No. SACV-97-162-AHS (EEx) (C.D. Cal. 1997); *FTC v. Global Assistance Network for Charities*, No. 96-2494 PHX RCB (D. Ariz. 1996). *FTC v. Fortuna Alliance, LLC*, No. C96-799M (W.D. Wash. 1996).



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 29, 2007

The Honorable Emanuel Cleaver
United States House of Representatives
Washington, DC 20515

Dear Representative Cleaver:

Thank you for your letter to the Federal Trade Commission concerning the Commission's proposed Business Opportunity Rule. As you know, the rulemaking proceeding is ongoing, and members of the Commission staff are currently reviewing comments submitted in response to the Notice of Proposed Rulemaking. Your letter and this response will be made part of the public record of that rulemaking proceeding, and I am happy to provide an update on the status of the rulemaking proceeding.

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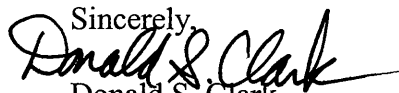
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of our Office of Congressional Relations, at (202) 326-2195. Thank you for your interest in the Commission.

Sincerely,

Donald S. Clark
Secretary of the Commission

JFM 99CV 3679 (D. Md. 1999); *FTC v. FutureNet, Inc.*, No. CV-98-1113 GHK (BQRx) (C.D. Cal. 1998); *FTC v. Nia Cano*, No. 97-7947-CAS (AJWx) (C.D. Cal. 1997); *FTC v. Jewelway, Int'l*, No. CV-97 TUC JMR (D. Ariz. 1997); *FTC v. World Class Network, Inc.*, No. SACV-97-162-AHS (EEx) (C.D. Cal. 1997); *FTC v. Global Assistance Network for Charities*, No. 96-2494 PHX RCB (D. Ariz. 1996). *FTC v. Fortuna Alliance, LLC*, No. C96-799M (W.D. Wash. 1996).



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 29, 2007

The Honorable Donna Christiansen
United States House of Representatives
Washington, DC 20515

Dear Representative Christiansen:

Thank you for your letter to the Federal Trade Commission concerning the Commission's proposed Business Opportunity Rule. As you know, the rulemaking proceeding is ongoing, and members of the Commission staff are currently reviewing comments submitted in response to the Notice of Proposed Rulemaking. Your letter and this response will be made part of the public record of that rulemaking proceeding, and I am happy to provide an update on the status of the rulemaking proceeding.

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Sincerely,

Donald S. Clark
Secretary of the Commission

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Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 29, 2007

The Honorable Laura Richardson
United States House of Representatives
Washington, DC 20515

Dear Representative Richardson:

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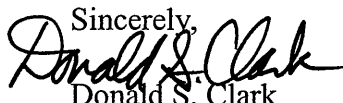
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