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Congress of the United States
Washington, DC 20515

FEDERAL TRADE COMMISSION
2007 NOV 26 PM 12: 21
CONG. CORRES. BRANCH

November 16, 2007

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

RE: Business Opportunity Rule (R511993)

Dear Madam Chairman:

We, the undersigned members of the United States House of Representatives, write to express our concern regarding the Federal Trade Commission's (FTC) proposed Business Opportunity Rule.

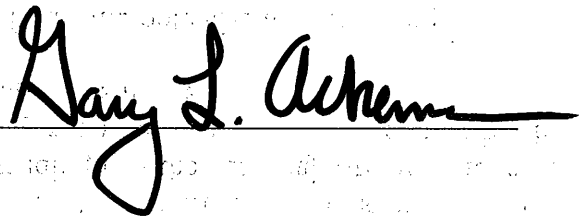
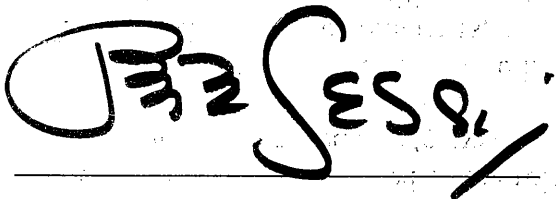
As Members of Congress and representatives of the American people, we recognize the FTC's important consumer protection role. Like you, we are committed to protecting the public from unfair and deceptive business practices.

In response to the proposed Business Opportunity Rule, the American public submitted more than 17,000 comments to the FTC. It is our understanding that the vast majority of Americans who commented were opposed to the rule as presently proposed. We are also troubled by the potential for this proposed rule to over-regulate legitimate business activities.

It appears to us that the proposed rule is too broad. It has the potential to harm many existing, long-standing, legitimate companies, and to impair the ability of many Americans to engage in legitimate business opportunities. Specifically, we are troubled that the proposed Business Opportunity Rule would severely restrict the legitimate activities of American businesses, including direct selling companies.

We strongly encourage the FTC to work with potentially affected individuals and business groups to develop an alternative proposal that achieves the FTC's desired goals, while not adversely affecting legitimate business ventures. We appreciate your consideration.

Sincerely,



Cc: Commissioner Pamela Jones Harbour
Commissioner Jon Leibowitz
Commissioner William E. Kovacic
Commissioner J. Thomas Rosch

John Mansley

Arthur Davis

~~Gregory Weeks~~

Coralyn B. Maloney

Erna

Debra L. Watt

Eliot L. Engel

Paul Brown

Robert B. Adcock

Michelle Ran (M.F. 08)

Ralph M. Hall

Howard Cole

M. S. Losh

Flynn T. Tunney

Allan R. Wynn

Ken J. Shuler

Joe Barton

J. J. J.

Mike Simpson

Phil Gray

Tom MacArthur

Marsha Blackburn

Thomas Price

John L. Cantor

Sam Lee

Ron Paul

Justin Amodeo

Lynn A. Whitcomb

Clayton Kopp

K. Michael Conaway

Bill Sali

John Culberson

Tom Feeney

Sue Myrick

SOB Wilson

Steve Chabot

Phil Pence

Rile Makert

David Davis

Eric Carter

Carlson

Mary Bone

Jo Bonner

Jay Wall

John Baker

Adel Bobb

J. G. H. 50-19

Vanell

Zack Wamp

Ray Blunt

Left Column

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Sessions

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Hensarling

Davis, A. (AL)

Meeks

Maloney

Towns

Watt

Engel

Broun

Aderholt

Page 3

Simpson

Burgess

Marchant

Blackburn

Price

Carter

Cole

Paul

Fortuño

Page 4

Pence

Davis, D. (TN)

Boren

Bonner

Bachus

Shimkus

Wamp

Right Column

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Ackerman

Page 2

Rogers, (MI)

Hall

Coble

Souder

Cummings

Wynne

Ehlers

Barton

Diaz-Balart

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Westmoreland

Kirk

Conaway

Sali

Culberson

Feeney

Myrick

Wilson

Chabot

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Delahunt

Cantor

Bono

Weller

Bishop

Issa

Blunt



Office of the Secretary

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

December 4, 2007

The Honorable Pete Sessions
United States House of Representatives
Washington, DC 20515

Dear Representative Sessions:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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 inflicted on 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 – or “direct sales” – model. 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

¹ See 16 CFR Part 437: *Business Opportunity Rule: Federal Trade Commission: Notice of Proposed Rulemaking*, 71 Fed. Reg. 19054 (April 12, 2006).

² 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.

As your letter correctly notes, the Commission received more than 17,000 comments in response to the Notice of Proposed Rulemaking. Many comments express support for the proposed rule and the need to weed out fraudulent actors from the marketplace, but many comments also posit that the proposal would impose unintended compliance burdens on legitimate multi-level marketing companies.

Members of the Commission staff are currently considering whether the proposed definition of business opportunity achieves the proper balance – in its attempt to curb abuses inflicted on the public by pyramid schemes that purport to be business opportunities – while at the same time avoiding any unnecessary compliance burdens on legitimate multi-level marketing companies. These concerns are articulated very clearly and in detail in many of the comments the Commission has received. The staff appreciates these concerns and will carefully consider them as it determines 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 various ways 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 (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

December 4, 2007

The Honorable Gary Ackerman
United States House of Representatives
Washington, DC 20515

Dear Representative Ackerman:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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

December 4, 2007

The Honorable Jeb Hensarling
United States House of Representatives
Washington, DC 20515

Dear Representative Hensarling:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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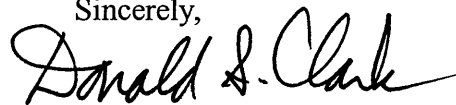
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Sincerely,



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

December 4, 2007

The Honorable Mike Rogers
United States House of Representatives
Washington, DC 20515

Dear Representative Rogers:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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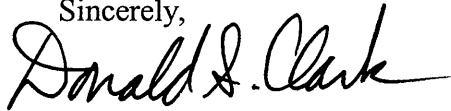
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of 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

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Office of the Secretary

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

December 4, 2007

The Honorable Artur 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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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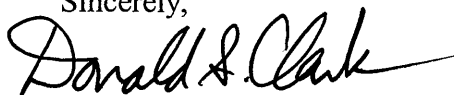
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Secretary of the Commission

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Office of the Secretary

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

December 4, 2007

The Honorable Ralph Hall
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Dear Representative Hall:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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 inflicted on 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 – or “direct sales” – model. 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).

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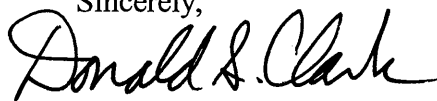
As your letter correctly notes, the Commission received more than 17,000 comments in response to the Notice of Proposed Rulemaking. Many comments express support for the proposed rule and the need to weed out fraudulent actors from the marketplace, but many comments also posit that the proposal would impose unintended compliance burdens on legitimate multi-level marketing companies.

Members of the Commission staff are currently considering whether the proposed definition of business opportunity achieves the proper balance – in its attempt to curb abuses inflicted on the public by pyramid schemes that purport to be business opportunities – while at the same time avoiding any unnecessary compliance burdens on legitimate multi-level marketing companies. These concerns are articulated very clearly and in detail in many of the comments the Commission has received. The staff appreciates these concerns and will carefully consider them as it determines 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 various ways 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

December 4, 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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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, 2006.¹³ The version of the rule that the Commission initially proposed was designed to prevent deception inflicted on 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 – or “direct sales” – model. 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.¹⁴

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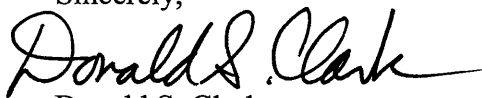
As your letter correctly notes, the Commission received more than 17,000 comments in response to the Notice of Proposed Rulemaking. Many comments express support for the proposed rule and the need to weed out fraudulent actors from the marketplace, but many comments also posit that the proposal would impose unintended compliance burdens on legitimate multi-level marketing companies.

Members of the Commission staff are currently considering whether the proposed definition of business opportunity achieves the proper balance – in its attempt to curb abuses inflicted on the public by pyramid schemes that purport to be business opportunities – while at the same time avoiding any unnecessary compliance burdens on legitimate multi-level marketing companies. These concerns are articulated very clearly and in detail in many of the comments the Commission has received. The staff appreciates these concerns and will carefully consider them as it determines 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 various ways 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

December 4, 2007

The Honorable Howard Coble
United States House of Representatives
Washington, DC 20515

Dear Representative Coble:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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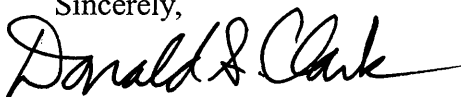
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of 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

December 4, 2007

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

Dear Representative Maloney:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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

December 4, 2007

The Honorable Mark Souder
United States House of Representatives
Washington, DC 20515

Dear Representative Souder:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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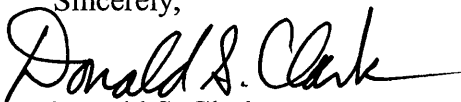
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of 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

December 4, 2007

The Honorable Edolphus Towns
United States House of Representatives
Washington, DC 20515

Dear Representative Towns:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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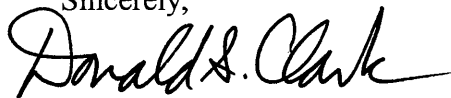
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Sincerely,



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

December 4, 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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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 inflicted on 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 – or “direct sales” – model. 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

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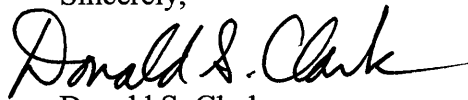
As your letter correctly notes, the Commission received more than 17,000 comments in response to the Notice of Proposed Rulemaking. Many comments express support for the proposed rule and the need to weed out fraudulent actors from the marketplace, but many comments also posit that the proposal would impose unintended compliance burdens on legitimate multi-level marketing companies.

Members of the Commission staff are currently considering whether the proposed definition of business opportunity achieves the proper balance – in its attempt to curb abuses inflicted on the public by pyramid schemes that purport to be business opportunities – while at the same time avoiding any unnecessary compliance burdens on legitimate multi-level marketing companies. These concerns are articulated very clearly and in detail in many of the comments the Commission has received. The staff appreciates these concerns and will carefully consider them as it determines 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 various ways 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 (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

December 4, 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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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

December 4, 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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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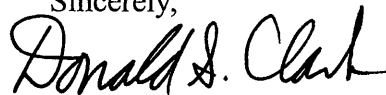
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of 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

December 4, 2007

The Honorable Eliot Engel
United States House of Representatives
Washington, DC 20515

Dear Representative Engel:

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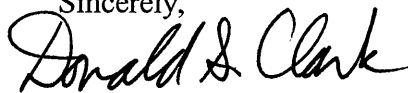
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Office of the Secretary

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

December 4, 2007

The Honorable Vernon Ehlers
United States House of Representatives
Washington, DC 20515

Dear Representative Ehlers:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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Office of the Secretary

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

December 4, 2007

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

Dear Representative Brown:

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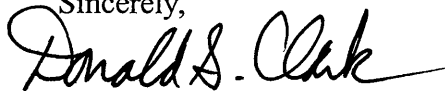
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Office of the Secretary

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

December 4, 2007

The Honorable Neil Abercrombie
United States House of Representatives
Washington, DC 20515

Dear Representative Abercrombie:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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, 2006.³⁵ The version of the rule that the Commission initially proposed was designed to prevent deception inflicted on 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 – or “direct sales” – model. 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.³⁶

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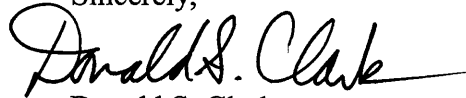
As your letter correctly notes, the Commission received more than 17,000 comments in response to the Notice of Proposed Rulemaking. Many comments express support for the proposed rule and the need to weed out fraudulent actors from the marketplace, but many comments also posit that the proposal would impose unintended compliance burdens on legitimate multi-level marketing companies.

Members of the Commission staff are currently considering whether the proposed definition of business opportunity achieves the proper balance – in its attempt to curb abuses inflicted on the public by pyramid schemes that purport to be business opportunities – while at the same time avoiding any unnecessary compliance burdens on legitimate multi-level marketing companies. These concerns are articulated very clearly and in detail in many of the comments the Commission has received. The staff appreciates these concerns and will carefully consider them as it determines 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 various ways 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

December 4, 2007

The Honorable Robert Aderholt
United States House of Representatives
Washington, DC 20515

Dear Representative Aderholt:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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, 2006.³⁷ The version of the rule that the Commission initially proposed was designed to prevent deception inflicted on 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 – or “direct sales” – model. 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.³⁸

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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

December 4, 2007

The Honorable Lincoln Diaz-Balart
United States House of Representatives
Washington, DC 20515

Dear Representative Diaz-Balart:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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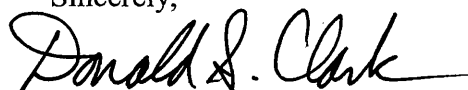
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of 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

December 4, 2007

The Honorable Michael Simpson
United States House of Representatives
Washington, DC 20515

Dear Representative Simpson:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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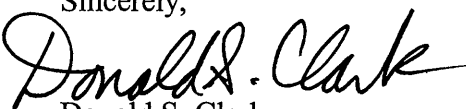
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of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

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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

December 4, 2007

The Honorable Lynn Westmoreland
United States House of Representatives
Washington, DC 20515

Dear Representative Westmorland:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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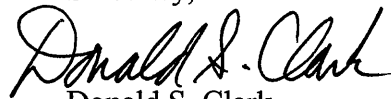
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of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

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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

December 4, 2007

The Honorable Michael Burgess
United States House of Representatives
Washington, DC 20515

Dear Representative Burgess:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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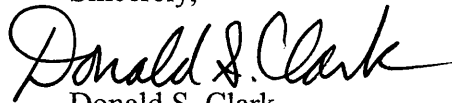
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Donald S. Clark
Secretary of the Commission

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

December 4, 2007

The Honorable Mark Steven Kirk
United States House of Representatives
Washington, DC 20515

Dear Representative Kirk:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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, 2006.⁴⁷ The version of the rule that the Commission initially proposed was designed to prevent deception inflicted on 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 – or “direct sales” – model. 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.⁴⁸

⁴⁷ See 16 CFR Part 437: *Business Opportunity Rule: Federal Trade Commission: Notice of Proposed Rulemaking*, 71 Fed. Reg. 19054 (April 12, 2006).

⁴⁸ 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.

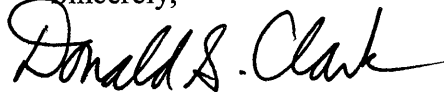
As your letter correctly notes, the Commission received more than 17,000 comments in response to the Notice of Proposed Rulemaking. Many comments express support for the proposed rule and the need to weed out fraudulent actors from the marketplace, but many comments also posit that the proposal would impose unintended compliance burdens on legitimate multi-level marketing companies.

Members of the Commission staff are currently considering whether the proposed definition of business opportunity achieves the proper balance – in its attempt to curb abuses inflicted on the public by pyramid schemes that purport to be business opportunities – while at the same time avoiding any unnecessary compliance burdens on legitimate multi-level marketing companies. These concerns are articulated very clearly and in detail in many of the comments the Commission has received. The staff appreciates these concerns and will carefully consider them as it determines 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 various ways 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

December 4, 2007

The Honorable Kenny Marchant
United States House of Representatives
Washington, DC 20515

Dear Representative Marchant:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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, 2006.⁴⁹ The version of the rule that the Commission initially proposed was designed to prevent deception inflicted on 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 – or “direct sales” – model. 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.⁵⁰

⁴⁹ See 16 CFR Part 437: *Business Opportunity Rule: Federal Trade Commission: Notice of Proposed Rulemaking*, 71 Fed. Reg. 19054 (April 12, 2006).

⁵⁰ 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.

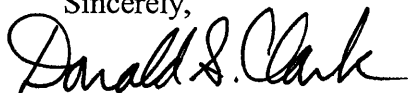
As your letter correctly notes, the Commission received more than 17,000 comments in response to the Notice of Proposed Rulemaking. Many comments express support for the proposed rule and the need to weed out fraudulent actors from the marketplace, but many comments also posit that the proposal would impose unintended compliance burdens on legitimate multi-level marketing companies.

Members of the Commission staff are currently considering whether the proposed definition of business opportunity achieves the proper balance – in its attempt to curb abuses inflicted on the public by pyramid schemes that purport to be business opportunities – while at the same time avoiding any unnecessary compliance burdens on legitimate multi-level marketing companies. These concerns are articulated very clearly and in detail in many of the comments the Commission has received. The staff appreciates these concerns and will carefully consider them as it determines 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 various ways 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

December 4, 2007

The Honorable Mike Conaway
United States House of Representatives
Washington, DC 20515

Dear Representative Conaway:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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, 2006.⁵¹ The version of the rule that the Commission initially proposed was designed to prevent deception inflicted on 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 – or “direct sales” – model. 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.⁵²

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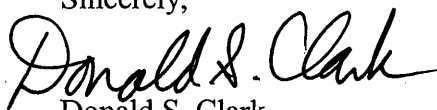
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Members of the Commission staff are currently considering whether the proposed definition of business opportunity achieves the proper balance – in its attempt to curb abuses inflicted on the public by pyramid schemes that purport to be business opportunities – while at the same time avoiding any unnecessary compliance burdens on legitimate multi-level marketing companies. These concerns are articulated very clearly and in detail in many of the comments the Commission has received. The staff appreciates these concerns and will carefully consider them as it determines what steps to recommend that the Commission take next in the ongoing Business Opportunity 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

December 4, 2007

The Honorable Marsha Blackburn
United States House of Representatives
Washington, DC 20515

Dear Representative Blackburn:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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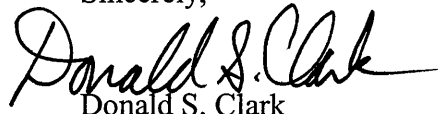
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of 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

December 4, 2007

The Honorable Bill Sali
United States House of Representatives
Washington, DC 20515

Dear Representative Sali:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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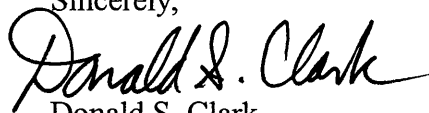
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of 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

December 4, 2007

The Honorable Tom Price
United States House of Representatives
Washington, DC 20515

Dear Representative Price:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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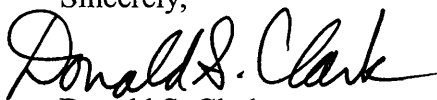
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I should note that the portion of the Federal Trade Commission Act that governs Commission promulgation of trade regulation rules, 15 USC 57a *et seq.*, provides numerous opportunities for public comment and oral participation with respect to any rulemaking 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 various ways 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

December 4, 2007

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

Dear Representative Culberson:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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, 2006.⁵⁹ The version of the rule that the Commission initially proposed was designed to prevent deception inflicted on 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 – or “direct sales” – model. 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.⁶⁰

⁵⁹ See 16 CFR Part 437: *Business Opportunity Rule: Federal Trade Commission: Notice of Proposed Rulemaking*, 71 Fed. Reg. 19054 (April 12, 2006).

⁶⁰ 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.

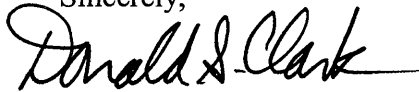
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of 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

December 4, 2007

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

Dear Representative Carter:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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, 2006.⁶¹ The version of the rule that the Commission initially proposed was designed to prevent deception inflicted on 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 – or “direct sales” – model. 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.⁶²

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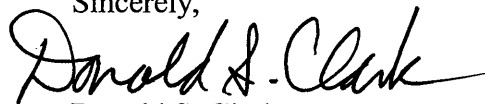
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of 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 (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

December 4, 2007

The Honorable Tom Feeney
United States House of Representatives
Washington, DC 20515

Dear Representative Feeney:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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

December 4, 2007

The Honorable Tom Cole
United States House of Representatives
Washington, DC 20515

Dear Representative Cole:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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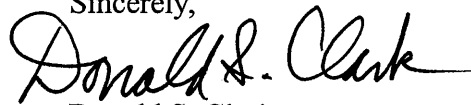
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of 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

December 4, 2007

The Honorable Sue Myrick
United States House of Representatives
Washington, DC 20515

Dear Representative Myrick:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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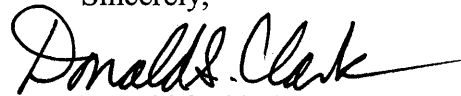
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of 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

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Office of the Secretary

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

December 4, 2007

The Honorable Ron Paul
United States House of Representatives
Washington, DC 20515

Dear Representative Paul:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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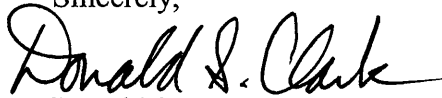
As your letter correctly notes, the Commission received more than 17,000 comments in response to the Notice of Proposed Rulemaking. Many comments express support for the proposed rule and the need to weed out fraudulent actors from the marketplace, but many comments also posit that the proposal would impose unintended compliance burdens on legitimate multi-level marketing companies.

Members of the Commission staff are currently considering whether the proposed definition of business opportunity achieves the proper balance – in its attempt to curb abuses inflicted on the public by pyramid schemes that purport to be business opportunities – while at the same time avoiding any unnecessary compliance burdens on legitimate multi-level marketing companies. These concerns are articulated very clearly and in detail in many of the comments the Commission has received. The staff appreciates these concerns and will carefully consider them as it determines 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 various ways 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

December 4, 2007

The Honorable Joe Wilson
United States House of Representatives
Washington, DC 20515

Dear Representative Wilson:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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, 2006.⁷¹ The version of the rule that the Commission initially proposed was designed to prevent deception inflicted on 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 – or “direct sales” – model. 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.⁷²

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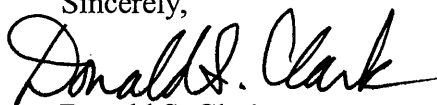
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of 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

December 4, 2007

The Honorable Luis Fortuno
United States House of Representatives
Washington, DC 20515

Dear Representative Fortuno:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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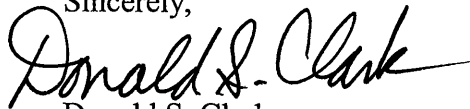
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of 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

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Office of the Secretary

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

December 4, 2007

The Honorable Steve Chabot
United States House of Representatives
Washington, DC 20515

Dear Representative Chabot:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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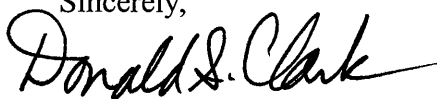
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Secretary of the Commission

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Office of the Secretary

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

December 4, 2007

The Honorable Mike Pence
United States House of Representatives
Washington, DC 20515

Dear Representative Pence:

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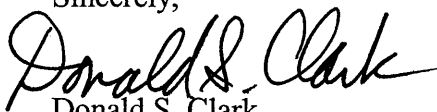
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Donald S. Clark
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Office of the Secretary

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

December 4, 2007

The Honorable William Delahunt
United States House of Representatives
Washington, DC 20515

Dear Representative Delahunt:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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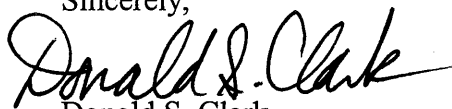
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Secretary of the Commission

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Office of the Secretary

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

December 4, 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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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, 2006.⁸¹ The version of the rule that the Commission initially proposed was designed to prevent deception inflicted on 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 – or “direct sales” – model. 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.⁸²

⁸¹ See 16 CFR Part 437: *Business Opportunity Rule: Federal Trade Commission: Notice of Proposed Rulemaking*, 71 Fed. Reg. 19054 (April 12, 2006).

⁸² 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.

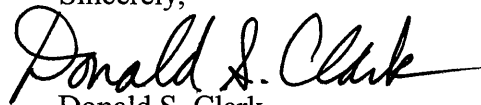
As your letter correctly notes, the Commission received more than 17,000 comments in response to the Notice of Proposed Rulemaking. Many comments express support for the proposed rule and the need to weed out fraudulent actors from the marketplace, but many comments also posit that the proposal would impose unintended compliance burdens on legitimate multi-level marketing companies.

Members of the Commission staff are currently considering whether the proposed definition of business opportunity achieves the proper balance – in its attempt to curb abuses inflicted on the public by pyramid schemes that purport to be business opportunities – while at the same time avoiding any unnecessary compliance burdens on legitimate multi-level marketing companies. These concerns are articulated very clearly and in detail in many of the comments the Commission has received. The staff appreciates these concerns and will carefully consider them as it determines 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 various ways 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

December 4, 2007

The Honorable Eric Cantor
United States House of Representatives
Washington, DC 20515

Dear Representative Cantor:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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As your letter correctly notes, the Commission received more than 17,000 comments in response to the Notice of Proposed Rulemaking. Many comments express support for the proposed rule and the need to weed out fraudulent actors from the marketplace, but many comments also posit that the proposal would impose unintended compliance burdens on legitimate multi-level marketing companies.

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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

December 4, 2007

The Honorable Dan Boren
United States House of Representatives
Washington, DC 20515

Dear Representative Boren:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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

December 4, 2007

The Honorable Mary Bono
United States House of Representatives
Washington, DC 20515

Dear Representative Bono:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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

December 4, 2007

The Honorable Jo Bonner
United States House of Representatives
Washington, DC 20515

Dear Representative Bonner:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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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

December 4, 2007

The Honorable Gerald Weller
United States House of Representatives
Washington, DC 20515

Dear Representative Weller:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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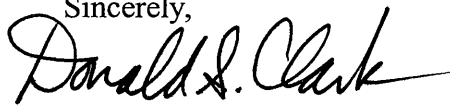
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of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

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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

December 4, 2007

The Honorable Spencer Bachus
United States House of Representatives
Washington, DC 20515

Dear Representative Bachus:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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, 2006.⁹³ The version of the rule that the Commission initially proposed was designed to prevent deception inflicted on 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 – or “direct sales” – model. 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.⁹⁴

⁹³ See 16 CFR Part 437: *Business Opportunity Rule: Federal Trade Commission: Notice of Proposed Rulemaking*, 71 Fed. Reg. 19054 (April 12, 2006).

⁹⁴ 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.

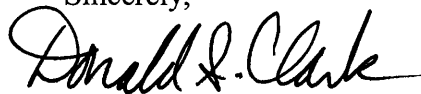
As your letter correctly notes, the Commission received more than 17,000 comments in response to the Notice of Proposed Rulemaking. Many comments express support for the proposed rule and the need to weed out fraudulent actors from the marketplace, but many comments also posit that the proposal would impose unintended compliance burdens on legitimate multi-level marketing companies.

Members of the Commission staff are currently considering whether the proposed definition of business opportunity achieves the proper balance – in its attempt to curb abuses inflicted on the public by pyramid schemes that purport to be business opportunities – while at the same time avoiding any unnecessary compliance burdens on legitimate multi-level marketing companies. These concerns are articulated very clearly and in detail in many of the comments the Commission has received. The staff appreciates these concerns and will carefully consider them as it determines 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 various ways 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 (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

December 4, 2007

The Honorable Rob Bishop
United States House of Representatives
Washington, DC 20515

Dear Representative Bishop:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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, 2006.⁹⁵ The version of the rule that the Commission initially proposed was designed to prevent deception inflicted on 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 – or “direct sales” – model. 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.⁹⁶

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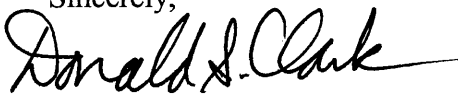
As your letter correctly notes, the Commission received more than 17,000 comments in response to the Notice of Proposed Rulemaking. Many comments express support for the proposed rule and the need to weed out fraudulent actors from the marketplace, but many comments also posit that the proposal would impose unintended compliance burdens on legitimate multi-level marketing companies.

Members of the Commission staff are currently considering whether the proposed definition of business opportunity achieves the proper balance – in its attempt to curb abuses inflicted on the public by pyramid schemes that purport to be business opportunities – while at the same time avoiding any unnecessary compliance burdens on legitimate multi-level marketing companies. These concerns are articulated very clearly and in detail in many of the comments the Commission has received. The staff appreciates these concerns and will carefully consider them as it determines 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 various ways 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 (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

December 4, 2007

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

Dear Representative Shimkus:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as 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, 2006.⁹⁷ The version of the rule that the Commission initially proposed was designed to prevent deception inflicted on 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 – or “direct sales” – model. 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.⁹⁸

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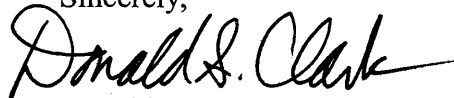
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of 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

December 4, 2007

The Honorable Darrell Issa
United States House of Representatives
Washington, DC 20515

Dear Representative Issa:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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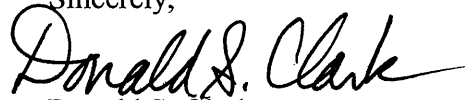
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of 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

December 4, 2007

The Honorable Zach Wamp
United States House of Representatives
Washington, DC 20515

Dear Representative Wamp:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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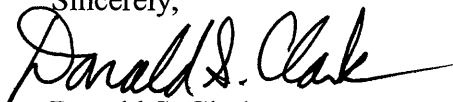
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of 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 (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

December 4, 2007

The Honorable Roy Blunt
United States House of Representatives
Washington, DC 20515

Dear Representative Blunt:

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. Given the pending rulemaking, I cannot respond to your specific questions, but I am happy to provide you with an overview of the proposed rule, as well as an update on the status of the rulemaking proceeding.

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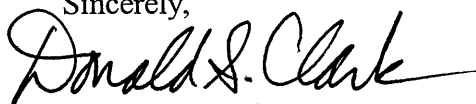
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We appreciate receiving your comments on this important consumer protection issue. If you or your staff have additional questions or comments or wish to provide additional information, please feel free to contact me or Jeanne Bumpus, the Director of 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

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