

Michael Morehead

July 8, 2006

Re: Business Opportunity Rule R511993

Dear Sir or Madam:

I am writing this letter because I am concerned about the proposed Business Opportunity Rule R511993. While I understand the responsibilities of the FTC to protect the public from “unfair and deceptive acts or practices,” I believe that this proposed rule could prevent me from continuing a distributor for the company I am involved in. There are specific sections in the proposed rule that will make it very difficult, if not impossible, for me to sell products and services.

I have been in the Network Marketing industry for several years. I became involved because I felt the opportunity was exceptional. Through Network Marketing, I have developed leadership skills and cultivated many meaningful relationships and have come to rely on the income from my direct selling business. The future of my family is dependent on the stability of the direct selling industry.

Seven-Day Waiting Period One of the most confusing sections of the proposed rule is the seven-day waiting period to enroll new distributors. Starter kits are nominal in cost and each contains materials worth far more than the sale price. When a Starter Kit is purchased, the purchaser becomes a distributor. No commissions or other compensation is paid on these kits. Having this waiting period gives the impression that there might be something wrong with the company or the compensation plan. I also feel this seven-day waiting period is unnecessary because the cost is fully refunded if the customer decides to send it back within ten (10) days. Requiring a seven-day waiting period before a distributor is allowed to even place an order would be destructive to the businesses of thousands of distributors who are building a business in the Network Marketing industry. It would also be quite burdensome for me to keep such detailed records of when I spoke with every single person about my business, and it would create unnecessary paperwork to have to send these reports to my company headquarters.

Litigation Information The proposed rule also calls for the release of any information regarding lawsuits involving misrepresentation or unfair or deceptive practices, regardless of whether the company was found innocent or not. Today, anyone or any company can be sued for almost anything. It does not make sense to me that I would have to disclose these lawsuits unless my company was found guilty. Otherwise, this company and I are put at an unfair disadvantage even if the company has done nothing wrong. To release this information would be misleading to prospective distributors.

References The proposed rule requires the disclosure of a minimum of ten prior purchasers nearest to the prospective purchaser. I am glad to provide references, but, in this day of identity theft, I am very uncomfortable giving out the personal information of individuals, particularly without their approval, to strangers. Also, giving away this information could damage the business relationship of the references who may be involved in other companies or businesses,

including those of competitors. In order to get the list of the ten prior purchasers, I would need to send the address of the prospective purchaser to my company headquarters and then wait to receive the list. I also think the following sentence required by the proposed rule will prevent many people from wanting to sign up as a distributor: "If you buy a business opportunity from the seller, your contact information can be disclosed in the future to other buyers." People are very concerned about their privacy. They will be reluctant to share their personal information with individuals they may have never met.

Exemption For about 25 years the FTC's Franchise Rule included only those opportunities that required a buyer to make a payment of at least \$500 within the first six months of operation. Any buyer making payments of less than \$500 within the first six months was exempt from further requirements. The April 12, 2006, proposed rule completely eliminates this \$500 exemption! In 1979, to justify the reasonable \$500 exemption, the FTC wisely said: "When the required investment to purchase a business opportunity is comparatively small, prospective purchasers face a relatively small financial risk." This is still true today. This exemption is necessary because without such an exemption, the proposed rule places an unreasonable burden on tens of thousands of distributors, like me, and on millions of direct selling and network marketing distributors throughout the US. This would be devastating to the growth of my business and that of millions of Americans. I believe that the proposed application of this rule to my business constitutes an unjustified overreaching. Please reinstate at least a \$500 exemption.

I appreciate the work that the FTC does to protect consumers, yet I believe this proposed new rule has many unintended consequences, and there are less burdensome alternatives available to achieving your goals.

Thank you for your time in considering my comments.

Respectfully,