

Dear Shaklee Business Leader:

From time to time there are proposed regulations that, if passed, could have an effect on our business. In these rare instances, we feel it is very important for our Business Leaders and their organizations to express a unified front in the hopes of modifying the potential legislation. **We ask that you please send your comments into the Federal Trade Commission ("FTC") by June 16th.** Details and a form letter are attached below. The FTC cares about the number of comments, so this is a wonderful way to leverage our network of Shaklee Family Members.

Background: Recently, the Federal Trade Commission ("FTC") has published a proposed Business Opportunity Rule that would apply to all business opportunities, including vending machine sales, medical billing, and direct sales opportunities, regardless of the entry fee.

There are a number of aspects of the Rule as proposed that could have a negative impact on recruiting by placing an undue burden on the Company, you and your downlines. A significant burden in the proposed Rule is the potential requirement that each prospective distributor be given a disclosure document in the form prescribed by the FTC, containing, among other information:

- The name, city, state, and telephone number of at least the 10 purchasers within the past three years who are located nearest to the prospective purchaser's location;
- The total number of purchasers of the opportunity during the past two years, and the total number of oral or written cancellation requests during the same two-year period; and
- All legal actions during the past 10 years alleging misrepresentation, fraud, securities law violations, or unfair or deceptive practices against the Company, any of its officers, directors or any employees involved in sales of the opportunity, regardless of whether the Company or the officers, directors or employees were found not guilty or not liable.

The biggest obstacle is probably that, under the proposed Rule, the disclosure document must be presented to the potential recruit at least seven calendar days before the recruit may sign an application or make a payment. A separate disclosure document is required if ANY earnings claim is made. Each application, disclosure statement, disclosure receipt and oral or written request for cancellation would have to be maintained by you for three years.

It is clear that these requirements, if enacted, would place a serious and undue burden upon Shaklee Distributors, and would unnecessarily complicate the process of sponsoring. We believe this Rule, if enacted, could have a negative impact on our business as well as all direct selling businesses. Therefore, we are requesting that you write to the FTC and that you encourage your Associates and Distributors to write as well.

Written comments to the FTC must be received on or before June 16, 2006.

Printed below is a sample letter for you to use. You can either mail the letter to the FTC or send it electronically.

Mail: If you mail your comments, the FTC requires TWO copies of your letter. The address is

Federal Trade Commission/Office of the Secretary, Room H-135 (Annex W)
600 Pennsylvania Avenue, NW
Washington, D.C. 20580

Re: Business Opportunity Rule, R511993

Due to heightened security precautions in Washington, which results in delays in mail delivery, we recommend you use an overnight service.

Electronic Mail: Alternatively, you may send your letter electronically using the following Web link: <https://secure.commentworks.com/ftc-bizopNPR/>. Click on the link and follow the instructions on the web-based form. You must use the FTC's form if filing electronically.

The FTC will be counting the comments received, so numbers are important. Please feel free to customize the letter to make it sound more like you. Of course, please feel free to contact me if you have any questions or comments.

It is rare that we ask our entire group of Business Leaders to take a stand. This is an important issue, and we believe everyone in the Shaklee Field should be informed, and take the action they feel is appropriate.

The rulemaking process is expected to take from two to three years. We will keep you informed of developments.

Thank you for your support.

Sincerely,

Marjorie Fine

Executive Vice President and General Counsel

SAMPLE LETTER FOR SHAKLEE INDEPENDENT DISTRIBUTORS

Your Name

Business Name, if Applicable

Street Address
City, State ZIP
Telephone Number **[Optional]**
Email Address **[Optional]**

June , 2006

Federal Trade Commission/Office of the Secretary, Room H-135 (Annex W)
600 Pennsylvania Avenue, NW
Washington, DC 20580

Re: Business Opportunity Rule, R511993

Dear Sir or Madam:

I am writing this letter to express my strong opposition to the proposed Business Opportunity Rule R511993. I understand that it is the responsibility of the Federal Trade Commission to protect the public from "unfair and deceptive acts or practices," but the rule as proposed would make it very difficult for me to operate my business as a Shaklee Independent Distributor.

One of the most confusing and burdensome sections of the proposed rule is the seven-day waiting period to enroll new distributors. Most of the people who sign an application do so to purchase Shaklee products at a wholesale price. In other words, they are solely consumers of the products. If they later wish to build a business, all they must do is supply Shaklee Corporation with their Social Security Number or Tax Identification Number. There is no additional kit, fee or application required. The Shaklee Member Kit costs only \$19.95. This is far less than many, if not most, consumer purchases, from TVs to all manner of household appliances, none of which require a seven-day waiting period. In addition, the seven-day waiting period is unnecessary in that Shaklee Corporation already has a 90% buyback policy for products, including the Member Kit, purchased by a distributor within the last two years.

The proposed rule requires the disclosure of a minimum of 10 prior purchasers nearest to the prospective purchaser. There are many problems with this proposed requirement. In this day of identity theft, I am uncomfortable giving out the personal information of other Shaklee distributors, without their knowledge or consent, to strangers. I understand that those who sign up after the rule takes effect would be told in writing "If you buy a business opportunity from the seller, your contact information can be disclosed in the future to other buyers." I believe that this would dissuade new people from signing up as distributors as they are concerned not only about identity theft, but also about their privacy. People today are understandably reluctant to share their personal information with individuals they may never have met.

Providing the ten references also could damage the businesses of numerous Shaklee distributors. Lower ranking distributors often are involved in more than one direct selling company. Providing a list to a potential recruit, who may already be a distributor for a competing direct selling company, may be an invitation to solicit existing distributors for such other opportunity.

The ten reference requirement also is an administrative burden. In order to obtain the list of 10 prior purchasers, I will need to provide Shaklee Corporation with the prospective distributor's address, and then wait to receive the list of the 10 nearest distributors who became distributors within the past three years. Each prospective recruit will need a customized disclosure statement. This will result in a delay far longer than seven calendar days before any potential recruit can sign an application. In view of the fact that many people enter direct selling part-time to earn extra income for a specific goal, such as holiday purchases or a family vacation, the long wait which the proposed rule will entail may make the goal unattainable.

The proposed rule calls for the release of any information regarding lawsuits that allege misrepresentation, or unfair or deceptive practices over a ten-year period. It does not matter if the company was found innocent or not liable. Today, almost all business lawsuits contain claims of misrepresentation or unfair competition. It does not make sense to me that I would have to disclose these lawsuits unless Shaklee Corporation, or its officers, directors or sales department employees, had been found guilty or liable. Otherwise, fifty-year old companies such as Shaklee Corporation and their distributors would be placed at a disadvantage compared to start-up direct selling companies, which may not yet have experienced litigation but which are far more likely to have legal issues surrounding their opportunities.

[In this paragraph, please tell your story in your own words] I have been a Shaklee Distributor for more than __ years. Originally, I became a Shaklee Distributor because I love the Company's nutritional/personal care/household products and wanted to earn some additional income working from home. Now I **[my family]** depend upon this extra income **[for our livelihood/to supplement our budget]**.

While I appreciate the work of the FTC to protect consumers, I believe this proposed new rule has many unintended consequences for direct sellers and that there are less burdensome alternatives available to the agency to achieve its goals.

Thank you for your time in considering my comments.

Sincerely,
[Your signature]