

Nancy K Molander

Date: 13 June 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 as a distributor for many of my companies. There are specific sections in the proposed rule that will make it very difficult, if not impossible, for me to sell products. Like myself, the vast majority of distributors promote the purchase of products rather than any business opportunity. I have been a distributor for over 30 years. I became involved because I felt the products were exceptional. Later on, I became further involved so that I could earn additional income. Through the company, I have developed leadership skills and cultivated many meaningful relationships. I enjoy the health benefits of using these products daily and are thrilled to be part of all the companies I belong to. Being very disabled, I am very dependent on the stability of the direct selling industry.

The Seven-Day Waiting Period: This is one of the most confusing sections of the proposed rule to enroll new distributors. If a company has a Starter Kit, the cost will vary, and each kit contains products, samples, training materials, etc., usually worth far more than the sale price. When a Starter Kit is purchased, the purchaser becomes a distributor and is granted a special discounted pricing on all orders. No commissions or other compensation is paid on these kits, and the company usually just covers its production costs. Having this waiting period gives the impression that there might be something wrong with the company or the compensation plan. I also think this seven-day waiting period is unnecessary because for a company to stay in business, it will fully refund this cost if the customer decides to send it back. 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 around the company's products. It would also be quite burdensome for me to keep such detailed records of when I spoke with every single person about that company, and it would create lots of unnecessary paperwork to have to send these reports to the 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 the company were found guilty. Otherwise, this company and I are put at an unfair disadvantage even though the company has done nothing wrong. To release this information would be misleading to prospective distributors. It is my discernment that if there is any deception, it is not the company but an individual distributor, and the company will take care of the problem, because it reflects derogatorily on the company, so your going after the wrong person.

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 the 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 and identity theft. They will be reluctant to share their personal information with individuals they may have never met. Further, any companies I know simply do not sell business opportunities in this fashion - they sell products first. Cancellation: Some people decide to stop purchasing from a company after a period of time or purchase very sporadically and lose their distributor status. As with any large business, this amounts to tens of thousands of individual customers who no longer order from them each year. Maintaining such lists and providing them to every potential distributor and wholesale customer would be an unrealistic burden. 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 each company's distributors, like myself, 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, Nancy Molander