

Kari McDermott

June 20, 2006 Re: Business Opportunity Rule R511993

Dear Sir or Madam:

I have been a distributor with Young Living for several years. I became involved with this company because I felt the products were exceptional. Later on, I became further involved so that I could earn additional income. Through Young Living, my family and I enjoy the health benefits of using these products daily and are thrilled to be part of this company. We have come to appreciate the additional income from my direct selling business to offset the rising costs of a broken health care system. The future of my family is not dependent on the stability of the direct selling industry, but the future of our country's freedom to conduct a small business is at stake. The freedom to choose alternative health care products and wellness support against the (Corporate dictatorship) of our current administration and Big Pharma is at stake. The freedom to start up a small business without a loan is at stake. Who is going to represent the "people," not the corporate powers whose strength is going unchallenged? This rule is just one more mark of evidence that small business isn't represented in the halls of Washington. This rule is one more way to start crippling alternative medicine and the wellness industry which is supported by healthy competitive products sold through network marketing companies. Many a politician have run on the platform that the middle-class and small business is the backbone of America. NEWS FLASH: The backbone of America is broken and her spirit is fading!

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 Young Living Essential Oils. There are specific sections in the proposed rule that will make it very difficult, if not impossible, for me to sell Young Living's products. Like myself, the vast majority of Young Living distributors promote the purchase of product rather than any business opportunity.

**Seven-Day Waiting Period** One of the most confusing sections of the proposed rule is the seven-day waiting period to enroll new distributors. Young Living's Starter Kits cost only \$50.00, and each kit contains products, samples, training materials, etc., worth far more than the sale price. When a Starter Kit is purchased, the purchaser becomes a distributor and is granted special discounted pricing on all orders. No commissions or other compensation is paid on these kits, and the company 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 Young Living fully refunds 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 Young Living's products. It would also be quite burdensome for me to keep such detailed records of when I spoke with every single person about Young Living, and it would create lots of 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 Young Living 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.

**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 Young Living 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, Young Living simply does not sell "business opportunities" in this fashion. Personal privacy and business ethics is one of many reasons I am involved with Young Living.

**Cancellation** Some people decide to stop purchasing from Young Living 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 Young Living 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,

Kari A. McDermott