

Rodney & Kathryn Naef

The Health Center

June 8, 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:

We are writing this letter to express our strong opposition to the proposed Business Opportunity Rule R511993. We 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 us to operate our 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, we are uncomfortable giving out the personal information of other Shaklee distributors, without their knowledge or consent, to strangers. We 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, we 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 us that we 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.

We have been Shaklee Distributors for more than 9 years. Originally, we became involved with Shaklee because of what the nutritional supplements did for us, then we invested 9 hard years of growing an income through the opportunity that Shaklee provides by being America's #1 company with a conscience. Now we depend upon this income entirely.

While we appreciate the work of the FTC to protect consumers, we 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 our comments.

Sincerely,

Rodney & Kathryn Naef