July 14, 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 oppose and to object to the "Business Opportunity Rule R511993" which members of the Commission Staff have proposed. We have no quarrel with the mission of the Federal Trade Commission to protect the public from loss due to "unfair and deceptive acts or practices." In fact, we laud and support that standard and want it enforced. However, the Rule as proposed would not serve that end, but would inflict severe damage to our business, the businesses of thousands of our distributors, as well as the businesses of literally millions of other companies and distributors engaged legitimately in direct selling.

Reliv International, Inc. is engaged in the development, production and sale, through a network of independent distributors, of a proprietary line of nutritional supplements addressing basic nutrition, specific wellness needs, weight management and sports nutrition. Our supplements are packaged in powdered form and are intended to be mixed with water, juice or other liquid. We also offer a line of skin care products.

We began operations in the United States in 1988 and now market our products in the United States and eleven international markets. As of March 31, 2006, our network consisted of 64,700 distributors, 52,360 in the United States and 12,340 across our international markets. During 2005, our net revenues were $113.6 million.

Our comments regarding, and objections to, the proposed Rule are as follows:

- **Application of Rule; $500 Threshold.** For a number of years, the FTC Franchise Rule excepted business opportunities involving a required payment of less than $500. That exception recognized that, when the required purchase and financial risk of prospective purchasers is small, the costs and burdens of compliance with a rule of this sort outweigh the potential benefits. That circumstance remains true today, and is even more significant in light of the extreme cost, impact and burdens which would be imposed by the proposed Rule.

Individuals who register to become Reliv distributors pay about $40 for a distributor kit and are not required to make any purchase of Reliv product. Distributors can terminate at any time. In accordance with the DSA standards, Reliv offers a 90% refund of product and materials purchased within the preceding 12 months to all distributors who choose to terminate their distributorship. As a result, at Reliv, as is the case with most legitimate direct sales companies, the financial risk for anyone choosing to become a distributor, or associate, is very small.

Particularly in light of the very limited financial risk posed to distributors for legitimate companies, there is ample other regulation and protection in place to apply to those using fraudulent and deceptive practices. Enforcement at both the state and federal level is active, and private litigation also provides significant protection.

Compare this limited risk and adequate existing remedies with the burden and impact the proposed Rule would impose on legitimate direct selling companies. The burdens which the proposed Rule would impose would be crushing; there would be severe damage to the business of direct sales companies and their distributors and the benefits would be minimal. Legitimate companies would be hurt by this proposed Rule while those who operate in a fraudulent and deceptive manner would continue to do so.

The burdens, costs and damages of this proposed Rule would include at least the following:

- The documentation and record keeping requirements of the Rule would be massive and compliance would be next to impossible. By the terms of the proposed Rule, these obligations would seem to be imposed not only on the principal company but also on each of its independent distributors who offer the business opportunity to others.
- The additional administrative burdens imposed would result in substantially increased staffing requirements and expense.
- Imposition of the obligations of the proposed Rule would have a chilling effect on the efforts of our distributors, and on the responses of prospects, resulting in a reduction in revenues and profits. Both the company and our distributors would suffer this loss.

* **Waiting Period.** The proposed Rule would require any seller to deliver the required written disclosure information to a prospect seven days prior to the time the prospect would sign any agreement or make any payment. This provision would (i) have a significant negative effect on sales for those legitimate companies which would comply, (ii) impose a substantial administrative and record retention burden on both the company and its distributors and (iii) provide nominal, if any, benefit to the consumer.

As is the case with many other legitimate direct selling companies, Reliv (i) requires only a minimal payment for registration and distributor materials, (ii) does not require any product purchase by a prospect who registers as a distributor, and (iii) affords a distributor the opportunity to cancel the distributorship and obtain a return of 90% of the purchase price of whatever they have purchased in the past year. So, virtually no regulatory "benefit" is achieved by requiring the prospect to wait a full week to register. Even if companies were required to provide certain disclosure information to prospects, they would be protected by their existing right to terminate and recover substantially all of what they had paid.

However, this provision, if implemented, would do great damage to the business of Reliv and its distributors and that of other direct sellers. The requirements would interfere and put a pall on the normal course of communications between distributors and prospects, create an implication of the existence of an issue or problem in the mind of the prospect and impose a formality to the dealings, all resulting inevitably in a reduction in the levels of new distributor registration.

For both Reliv, and its distributors, there would be a significant new administrative and document retention burden in order to show timely delivery of the proper disclosure information to all prospects.

This proposed obligation, more than any other, will have less utility and value, and will result in more damage than any other element of the proposed Rule.

While we do not believe any pre-delivery of disclosure information is necessary under these circumstances to protect consumers, any question regarding it could be simply resolved by requiring direct sellers to offer prospects the right to rescind for a full refund of products and materials purchased within a limited period of time after registering.

- **Disclosures Required.**

    - **Litigation.** The proposed Rule would require "disclosure" of a broad range of litigation (regardless of outcome) over a 10-year period prior to the date of the delivery of the disclosure document. This obligation would not lead to the provision of meaningful information to prospects since, in many cases, litigation was (i) not material, (ii) was dismissed or (iii) did not result in any finding of wrongdoing.

    - **Identity of Other Purchasers.** The obligations of this provision, as written, are simply not practicable. As with many direct sellers, Reliv has many thousands of distributors. Pinpointing the 10 closest distributors geographically to each prospect of a distributor, as that prospect is identified and in time to provide such a list to the distributor, would be a virtually impossible task. But, even if companies could find a way to do it

at all, the burden and impact would be completely unwarranted. Distributors would have to contact the company about a prospect they intended to contact and then wait for the company to identify and provide a list of the 10 closest distributors. The administrative and document retention burden of such an effort would be boggling.

Printing, providing to all distributors and disseminating widely a list of all distributors of a company would also be extremely burdensome and difficult, would violate the privacy of distributors and would require companies to make public disclosure of, and to lose, one of their most valuable assets and protected trade secrets – the identity and contact information for their distributors.

- **Earnings Claims**. The proposed Rule would require "sellers" to furnish to prospects an "earnings claim statement" if any "earnings claim" is made. This provision, as written, is fraught with ambiguity. Compliance would be difficult if not impossible. Some of the issues raised by the proposal are:
  - What is an "earnings claim?" If a distributor reveals his or her income as a distributor, is that an earnings claim? By whom?
  - Who is the "seller." Does it include both the company and the distributor? Does the distributor have to make a separate disclosure?
  - The requirements for disclosure regarding earnings are overly broad, ambiguous and confusing.

Reliv, and many other direct selling companies, currently publishes a disclosure regarding earnings by its distributors at various distributor achievement levels. If deemed necessary, a clear and specific income disclosure requirement would be manageable. As drafted, the provision of the Rule relating to earnings only creates more questions and problems.

We appreciate the opportunity to comment on this proposed Rule. While we support appropriate regulation designed to protect the interest of consumers, we do not believe the Rule, as proposed, would impose undue burdens on participants in the market place and would not provide intended protections or benefits.

Very Truly Yours,

Robert L. Montgomery
Chief Executive Officer