



BEAUTICONTROL.

June 13, 2006

Federal Trade Commission/Office of the Secretary, Room H-135 (Annex W)
Re: Business Opportunity Rule, R511993
600 Pennsylvania Avenue, NW Washington, DC 20580
RE: Business Opportunity Rule, R511993

Dear Sir or Madam:

I am writing this letter because I am concerned about the proposed New Business Opportunity Rule R511993. I am afraid that in its present form, it could severely hurt BeutiControl. I understand that part of the FTC's responsibilities is to protect the public from "unfair and deceptive acts or practices," but some of the sections in the proposed rule will make it very difficult if not impossible for BeutiControl to continue as business.

BeutiControl was founded in 1981. We sell Cosmetics, Skin Care and toiletries. We have more than 100,000 independent Consultants with approximately \$242 million in retail sales.

One of the most confusing and burdensome sections of the proposed rule is the seven day waiting period to enroll new independent Consultants. BeutiControl sales kit only costs \$250. Consumers make many purchases such as TVs, cars, and other items that cost much more than that and they do not have to wait seven-days. This waiting period creates the impression that there might be something wrong with the plan. This seven-day waiting period is unnecessary, because BeutiControl already has a 90% buy back policy for all products including sales kits purchased by a salesperson within the last twelve months. Under this waiting period requirement, BeutiControl will need to keep very detailed records when a BeutiControl Consultant first makes contact with a prospective purchaser and will then have to retain these documents for three years. The related administrative costs will be very expensive.

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Under the proposed rule, BeautiControl's plan would fall under FTC regulatory authority, since the existing \$500 threshold under existing franchise rule will be eliminated and BeautiControl will now have to produce numerous pieces of documented materials in order to comply with the proposed rule.

The proposed rule also calls for the release of **any** information regarding prior litigation and civil or criminal legal actions involving misrepresentation, or unfair or deceptive practices. It does not matter if the company was found innocent. Today, anyone or any company can be sued for almost anything. We at BeautiControl see little value in disclosing these lawsuits unless BeautiControl is found guilty. Otherwise, BeautiControl is put at an unfair advantage even though we have not as done **nothing** wrong. In addition, it seems that everyone throws claims for misrepresentation into every complaint these days. Should prospective distributors be concerned, for example, about litigation between the company and a software provider if their contract dispute contains a claim for misrepresentation? It seems appropriate to include only litigation that is related to the earning opportunity offered to the prospective distributor.

The proposed rule requires direct sellers to gather information such time periods, Consultants' demographic/geographic data and earnings claims. We are concerned that this approach will be ineffective in preventing the targeted business opportunity fraud, since those perpetuating fraudulent business opportunities will not provide accurate data. However, direct sellers such as BeautiControl, which will try to faithfully comply, will have the difficult if not impossible challenge of interpreting and meeting some of the proposed requirements.

Finally, the proposed rule requires the disclosure of a minimum of 10 prior purchasers nearest to the prospective purchaser. BeautiControl is glad to provided references, but in these days of identity theft, we are very uncomfortable giving out the personal information of individuals (without their approval) to strangers. Ironically, the requirement to provide references may result in privacy lawsuits, which under the proposed rule, we would have to report. Also, giving out this information without any

control on how it could be used will very likely and unfairly benefit our competitors. In order to generate the list of the 10 prior purchasers, we will need to obtain the address of the prospective purchaser, search our database for the geographically nearest existing Consultants, use a software program or online service such as Mapquest to confirm these are the correct Consultants, and then send these results to the Consultant. The following sentence required by the proposed rule will prevent many people from wanting to sign up as a salesperson "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 and so are we from a privacy litigation standpoint. Individuals will be reluctant to share their personal information with individuals they may have never met.

BeautiControl appreciates the work of the FTC to protect consumers, but we believe this proposed new rule has many unintended consequences, which may destroy my business. We also believe that there are less burdensome alternatives available in achieving the consumer protection goals stated in the proposed rule.

Thank you for your time in considering our comments.

Sincerely

Jo-Anne C. Jaeger
Sr. V. P. Marketing and International Development
BeautiControl