

SENATOR JEFFREY D. KLEIN
COALITION LEADER
INDEPENDENT DEMOCRATIC
CONFERENCE LEADER
NEW YORK STATE SENATE
34TH SENATE DISTRICT



ASSEMBLYMAN
FRANCISCO P. MOYA
NEW YORK STATE ASSEMBLY
39TH ASSEMBLY DISTRICT

May 24, 2016

The Honorable Edith Ramirez
Chairwoman
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20530

Dear Chairwoman Ramirez,

In light of recent news reports that the Federal Trade Commission may be nearing a resolution to its investigation of multi-level distribution company Herbalife International, we urge you to consider that any measure of injunctive relief include significant reforms to Herbalife's business model to protect consumers and prospective distributors from the financial harms and deceit documented in hundreds of complaints submitted to state and federal authorities.

Such reforms include the documentation and disclosure of retail sales to participants not in the distributor network, and the average income and commissions earned by distributors at each level. Herbalife should also be required to disclose to the public where nutrition clubs are located and provide regulators proof that these businesses comply with state and federal labor laws. Additionally, rewards designed to incentivize recruitment (e.g. Production Bonus) and the product purchasing requirements that encourage so-called inventory loading should be removed immediately.

A number of these measures mirror the multilevel distribution company legislation (S.6983 and A.10244) we introduced that would strengthen financial reporting requirements of multi-level distributors operating in New York State, urge these companies to better support their participants to prevent fraudulent and deceptive acts, and grant the Attorney General the right to impose penalties against violators. But strong federal action must be taken to fully protect consumers and prospective entrants from the predatory behaviors that have come to define companies like Herbalife.

Were Herbalife to escape federal scrutiny with a fine and few requirements to alter its business structure it would be a major step backwards in the FTC's efforts to hold accountable bad actors in the direct selling industry, let alone disservice those who have been harmed by this company. We owe it to these people to prevent such an outcome.

Our thanks to you and your staff for your hard work and attention to this important matter.

Sincerely,

Handwritten signature of Jeffrey D. Klein in black ink.

Jeffrey D. Klein
34th Senate District
New York State Senate

Handwritten signature of Francisco P. Moya in black ink.

Francisco P. Moya
39th Assembly District
New York State Assembly