



July 17, 2006

Dear Sir or Madam:

I am writing this letter to strongly urge you to modify the proposed New Business Opportunity Rule R511993. I am concerned that if adopted as currently drafted, the rule could significantly change the way Gold Canyon, and all other direct selling companies do business.

I hope by hearing Gold Canyon's story and taking into consideration my comments about what this rule can do to legitimate direct selling companies, I will convince the FTC to change the way the rule is written. I understand that part of the FTC's responsibilities is to protect the public from "unfair and deceptive acts or practices" and we support the government in having a regulation that addresses business opportunity, but we do not support a rule that hurts legitimate direct selling businesses. Most importantly, some of the sections in the proposed rule will make it very difficult if not impossible for Gold Canyon to continue as a business.

Gold Canyon began in my kitchen, where my wife Karen began developing a candle that would permeate our home with a rich fragrance. Late in 1997, we struck upon the perfect candle creation that quickly found a loyal and passionate following. Karen not only found the candle she was seeking through her passionate intuition and innovation, she also found a way to have a career that would allow her to be at home with our children. Soon we discovered people not only loved our richly fragrant candle, but also the opportunity that came with it—the flexibility of a home-based business selling a quality product they could believe in. One year later, Gold Canyon grew from one candle to over 26 fragrances in four different sizes.

Today, we have over 22,000 Demonstrators with approximately \$90 million in annual sales. Many of these men and women use their Gold Canyon business to support their families or supplement their income. Not only will the company as a whole be affected by this proposed Business Opportunity rule, but thousands of our Demonstrators will suffer because it will be more difficult for them to recruit new Demonstrators, if this rule is passed as written. I would like to highlight several of my concerns and I hope you will take Gold Canyon's comments, as well as other direct sellers' comments seriously before passing this rule.

Of these difficulties, one of the most confusing and burdensome requirements of the proposed rule is the seven-day waiting period to enroll new Demonstrators. This seven-day waiting period is unnecessary and creates the impression that there might be something wrong with our Career Plan. Gold Canyon's Demonstrator Kits only costs \$175 and consumers



make many purchases such as TVs, cars, and other items that cost much more than this without waiting seven days.

This waiting period is also unwarranted because Gold Canyon already has a 90% buyback policy for all products including Demonstrator Kits purchased by a Demonstrator within the last twelve months. Under this waiting period requirement, we will need to keep very detailed records when a Gold Canyon Demonstrator

first makes contact with a prospective purchaser. The related administrative costs associated with retaining these documents for three years will be very expensive.

Besides the possible unfair view of our Career Plan based on the seven-day waiting period, our Career Plan would also fall under FTC regulatory authority, since the existing \$500 threshold under existing franchise rule will be eliminated and Gold Canyon will now have to produce numerous pieces of documented materials in order to comply with the proposed rule.

While we are dealing with extra administrative costs and an unfair view of our business practices, if passed, this rule will force us to shine yet another bad light onto our business ethics. If this rule is passed, we will be forced to release any information regarding prior litigation and civil or criminal legal actions involving misrepresentation, or unfair or deceptive practices, and we could be regarded as guilty even if the company was found innocent.

Today, anyone or any company can be sued for almost anything whether it was warranted or not. I see little value in disclosing these lawsuits unless Gold Canyon is found guilty. Otherwise, we are put in an unfair position even though we have done nothing wrong. In addition, it seems these days everyone throws claims for misrepresentation into every complaint. Should prospective Demonstrators 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 Demonstrator.

The proposed rule also requires direct sellers to gather information such as time periods, Demonstrator demographic/geographic data and earnings claims. We are concerned this approach will be ineffective in preventing the targeted business opportunity fraud. While Gold Canyon will try to faithfully comply, those perpetuating fraudulent business opportunities will not provide accurate data. Interpreting and meeting these proposed requirements will be a difficult if not impossible challenge.

Finally, the proposed rule requires the disclosure of a minimum of 10 prior purchasers nearest to the prospective purchaser. Gold Canyon is glad to provide references, but in these days of identity theft, we are very uncomfortable giving out the personal information of individuals (without their approval) to strangers. Specifically, Gold Canyon's home office is located in Arizona which the FTC rated as the number one state for identity theft. Even more alarming, the city of Chandler, where we reside, is one of the top five cities for identity theft in Arizona. This disclosure of personal information would be very risky and almost certainly detrimental to our customers and Demonstrators.



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 controls 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 Demonstrators, use a software program or online service such as Map Quest to confirm these are the correct Demonstrators, and then send these results to the prospective Demonstrator. The following sentence required by the proposed rule will prevent many people from wanting to sign up as a Demonstrator with Gold Canyon.

"If you buy a business opportunity from the seller, your contact information can be disclosed in the future to other buyers."

Our customers and Demonstrators are very concerned about their privacy and identity theft. We are also very concerned from a privacy litigation standpoint. Individuals will be reluctant to share their personal information with individuals they may have never met.

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

I hope you will consider my comments seriously and think about the hard-working, honest companies who may be affected. As a law-abiding and ethical company with a mission emphasized on family, charity, community and friendship, we do not want to be punished for the fraudulent businesses for which this business rule is intended.

Sincerely,

Curt Waisath President & CEO, Gold Canyon