

HB

393

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 393
(H) Publish Date: 3/1/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Law
Title "An Act relating to unfair and deceptive trade BRU Criminal Division: Civil Division
practices and to the sale of business opportunities; . . ." Component Criminal Appeals/Special Litigation
Sponsor Representative Stevens Fair Business Practices
Requester House Labor and Commerce Committee Component No. 2279: 2206

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*****	*****	*****	*****	*****	*****

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	*****	*****	*****	*****	*****	*****
-------------------------------	--------------	--------------	--------------	--------------	--------------	--------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1108 Statutory Designated Prog Rcpts	*****	*****	*****	*****	*****	*****
TOTAL	** ****	*****	*****	*****	*****	*****

Estimate of any current year (FY2002) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

HB 393 would provide for the registration and regulation of sellers of business opportunities, which are prepackaged small business deals offered mainly to novice entrepreneurs over the Internet and through newspaper and radio advertisements, television "infomercials," and seminars. Typically, a business opportunity is an arrangement by which the seller provides products, equipment, supplies, or services to the buyer; assists the buyer in finding outlets or accounts for the buyer's products or services; purchases the products made, produced, or modified by the buyer, or provides the buyer with a marketing plan.

The bill would require that sellers of business opportunities register with the state, disclose specific information regarding the business to the buyer before sale, use an escrow account to assure delivery of business assets, and provide a 30-day right of cancellation for the buyer.

Prepared by: Joan M. Kasson
Division: Attorney General's Office
Approved by: Kathryn Daughhetea for Bruce M. Botelho, Attorney General
Agency: Department of Law

Phone (907) 465-5370
Date/Time 2/21/02 2:42 PM
Date 2/21/2002

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. HB 393 - FN#1

ANALYSIS CONTINUATION

A seller who recklessly violates the registration requirements would be guilty of a class C felony. A seller who recklessly violates the contract or cancellation provisions would be guilty of a class A misdemeanor. The bill would also amend AS 45.50.471(b) to specify that a violation of the sale of business opportunities statute constitutes an unfair or deceptive act or practice in the conduct of trade or commerce.

The Department of Law does not anticipate significant revenues or costs from passage of this legislation. However, because there is no regulatory scheme now in effect, we cannot say with certainty how much additional staff time will be required to implement this bill.

Given our experience with implementing the Telephone Solicitation Act, we would guess that no more than ten or twelve sellers of business opportunities will register in the first year. Assuming an initial registration fee of \$150, the revenue in the first year would be approximately \$1,500 to \$1,800. With an annual renewal fee of \$50, the revenue from these same sellers would be \$500 to \$600 in the second year, plus any new initial registrations.

Costs will be generated both by the time spent processing the registration applications, and by time spent on any enforcement actions against unscrupulous sellers of business opportunities, who are generally located out of state and who make exaggerated earnings claims to induce buyer participation, and who would be unlikely to register with the state. We expect that processing ten to twelve applications per year, while perhaps more time consuming than other registrations due to the relative complexity of the business opportunity registration requirements, can be handled within existing funding levels. We have no way of anticipating how many enforcement actions may be required. The Consumer Protection unit is aware of dozens of business opportunity scams around the country, and they know Alaskans are being targeted, but not to what extent. However, the department does not believe the cost of pursuing limited enforcement actions against a few sellers will entail significant amounts of staff time. If our assumptions prove to be inaccurate, the department may need to seek additional funding in the future.

Alaska State Legislature

SESSION ADDRESS:
Alaska State Capitol
Juneau, Alaska 99801-1182
(907) 465-4925
Fax: (907) 465-3517
Toll Free: 1-800-821-4925



INTERIM ADDRESS:
112 Mill Bay Road
Kodiak, Alaska 99615
(907) 486-4925
Fax: (907) 486-5264

Representative Gary Stevens BUSINESS OPPORTUNITIES BILL

Sponsor Statement – HB 393

This bill creates a new, comprehensive statute regulating the sale of business opportunities. Business opportunities, commonly referred to as "biz opps," are prepackaged small business deals primarily targeted to novice entrepreneurs. Although some business opportunities offer consumers legitimate methods for earning income, the field is fraught with unfair and deceptive practices.

Typical business opportunities range from work-at-home schemes, like medical billing, to the sale of vending machines, ATMs, greeting card display racks and other products, to the sale of "900 numbers." These deals are initially pitched to consumers through classified ads, over the Internet, and through "infomercials," and potential buyers are subjected to high-pressure sales tactics. Unwary consumers are enticed by the promise of high earnings, which rarely materialize. According to the Federal Trade Commission, biz opp scams bilk consumers across the country of tens of millions of dollars each year.

With this bill, Alaska will join approximately half of the states in regulating the sale of business opportunities. Persons who want to sell or advertise business opportunities in Alaska would be required to register with the state, to disclose information to buyers, to use escrow accounts to assure delivery of business assets, and to provide a 30-day right of cancellation to the buyer. Violators will be subject to civil and criminal penalties. The bill provides important consumer safeguards for entrepreneurial-minded Alaskans.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 393
(H) Publish Date: 3/1/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Law
Title "An Act relating to unfair and deceptive trade practices and to the sale of business opportunities; . . ." BRU Criminal Division; Civil Division
Sponsor Representative Stevens Component Criminal Appeals/Special Litigation
Requester House Labor and Commerce Committee Component No. 2279; 2206
Fair Business Practices

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*****	*****	*****	*****	*****	*****

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	*****	*****	*****	*****	*****	*****
-------------------------------	-------	-------	-------	-------	-------	-------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1108 Statutory Designated Prog Rcpts	*****	*****	*****	*****	*****	*****
TOTAL	*****	*****	*****	*****	*****	*****

Estimate of any current year (FY2002) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
HB 393 would provide for the registration and regulation of sellers of business opportunities, which are prepackaged small business deals offered mainly to novice entrepreneurs over the Internet and through newspaper and radio advertisements, television "infomercials," and seminars. Typically, a business opportunity is an arrangement by which the seller provides products, equipment, supplies, or services to the buyer; assists the buyer in finding outlets or accounts for the buyer's products or services; purchases the products made, produced, or modified by the buyer; or provides the buyer with a marketing plan.

The bill would require that sellers of business opportunities register with the state, disclose specific information regarding the business to the buyer before sale, use an escrow account to assure delivery of business assets, and provide a 30-day right of cancellation for the buyer.

Prepared by: Joan M. Kasson Phone (907) 465-5370
Division Attorney General's Office Date/Time 2/21/02 2:42 PM
Approved by: Kathryn Daughhete for Bruce M. Botelho, Attorney General Date 2/21/2002
Agency Department of Law

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. HB 393 - FN#1

ANALYSIS CONTINUATION

A seller who recklessly violates the registration requirements would be guilty of a class C felony. A seller who recklessly violates the contract or cancellation provisions would be guilty of a class A misdemeanor. The bill would also amend AS 45.50.471(b) to specify that a violation of the sale of business opportunities statute constitutes an unfair or deceptive act or practice in the conduct of trade or commerce.

The Department of Law does not anticipate significant revenues or costs from passage of this legislation. However, because there is no regulatory scheme now in effect, we cannot say with certainty how much additional staff time will be required to implement this bill.

Given our experience with implementing the Telephone Solicitation Act, we would guess that no more than ten or twelve sellers of business opportunities will register in the first year. Assuming an initial registration fee of \$150, the revenue in the first year would be approximately \$1,500 to \$1,800. With an annual renewal fee of \$50, the revenue from these same sellers would be \$500 to \$600 in the second year, plus any new initial registrations.

Costs will be generated both by the time spent processing the registration applications, and by time spent on any enforcement actions against unscrupulous sellers of business opportunities, who are generally located out of state and who make exaggerated earnings claims to induce buyer participation, and who would be unlikely to register with the state. We expect that processing ten to twelve applications per year, while perhaps more time consuming than other registrations due to the relative complexity of the business opportunity registration requirements, can be handled within existing funding levels. We have no way of anticipating how many enforcement actions may be required. The Consumer Protection unit is aware of dozens of business opportunity scams around the country, and they know Alaskans are being targeted, but not to what extent. However, the department does not believe the cost of pursuing limited enforcement actions against a few sellers will entail significant amounts of staff time. If our assumptions prove to be inaccurate, the department may need to seek additional funding in the future.

BUSINESS OPPORTUNITIES BILL

Sectional Analysis

***Sec. 1.** Amends AS 37.05.146(b)(4) to include receipts of fees for business opportunity registration and renewals as program receipts.

***Sec. 2.** Amends AS 45.50.471(b) to provide that a violation of the business opportunity statute is a violation of the Unfair Trade Practices and Consumer Protection Act.

***Sec. 3.** Amends AS 45 by creating a new chapter regulating the Sale of Business Opportunities.

***Sec. 45.66.010. Registration required.**

Prohibits a person from selling or offering to sell a business opportunity unless the person is registered with the department at least 30 days before selling or offering to sell a business opportunity.

***Sec. 45.66.020. Registration procedure.**

Requires that a person pay a registration fee and file certain documents in order to register with the department. The required documents include a copy of advertising materials, a disclosure statement to potential buyers, a surety bond, and a completed application form. The application form will require the seller to disclose the nature of the business opportunity and the method by which it will be advertised; the identity of the seller and owners or agents affiliated with the seller; and criminal convictions, civil judgments, and administrative determinations involving allegations of fraud, theft, and unfair trade practices.

***Sec. 45.66.030. Renewal of registration.**

Provides that a person must file a renewal application if the person sells or offers to sell a business opportunity for more than a year following the department's acknowledgment of registration.

***Sec. 45.66.040. Registration Fees.**

Requires that a seller pay a non-refundable fee to the department for a first-time application and a renewal fee for a renewal application. The amount of the fee will be established by regulation.

***Sec. 45.66.050. Material changes in registration information.**

Requires the reporting of any material changes to the application within 10 days of the change.

***Sec. 45.66.060. Surety bond required.**

Requires a business opportunity seller to post a surety bond in the amount of \$75,000 in order to do business in the state.

***Sec. 45.66.070. Location of offer and sale.**

Provides that the statute applies to a sale or offer to sell a business opportunity if the seller directs the offer to residents of this state, if the offer originates in this state, or if the buyer will operate the business opportunity in this state.

***Sec. 45.66.080. Disclosure requirements.**

Establishes that at least 10 days before the buyer signs the contract, the seller shall give the buyer a written disclosure statement. The disclosure statement must include information about the seller's business history, the seller's financial condition, the seller's legal history, the seller's history of business opportunity registration, the total price and payment schedule for the business opportunity, and the rights and obligations of the parties. Requires that if the seller makes claims about potential earnings, the seller must provide the basis for the claim and associated economic risks.

***Sec. 45.66.090. Written contract required.**

Requires that a seller use a written contract for selling the business opportunity. Contract provisions must include: payment terms; contact information for the seller, the seller's agent, and suppliers; a description of services that the seller is to provide; delivery dates; a complete description of the buy-back agreement if applicable; and a statement of the buyer's right to cancel.

***Sec. 45.66.100. Restrictions on down payments.**

Precludes a seller from requiring a buyer to pay as a down payment more than 20 percent of the initial payment unless any amount above the 20 percent is placed in an escrow account.

***Sec. 45.66.110. Escrow account requirements.**

Requires that the escrow account be held by a person who is independent from the seller, and requires that a seller who establishes an escrow account provide account information to the department. Also prevents the release of escrow funds until the buyer provides written notification to the escrow holder that the products or services required by the contract have been delivered.

***Sec. 45.66.120. Actions for claims against escrow account.**

Allows a buyer who has a claim against an escrow account to bring a civil action against the seller or escrow account holder to recover money from the escrow account.

***Sec. 45.66.130. Cancellation of contract.**

Allows for a buyer to cancel a contract for any reason if the buyer gives notice of the cancellation to the seller within 30 days after signing the contract. Also permits a buyer to cancel the contract at any time if the seller fails to meet disclosure requirements, makes deceptive statements about the business opportunity, or fails to provide services or products required under the contract. Provides that within 15 days of such notice by the buyer, the seller must tender payment to the buyer and terminate the buyer's financial obligations.

***Sec. 45.66.140. Prohibited representations.**

Prohibits sellers from representing that they are registered with the department unless they have complied with the registration requirements, and prohibits other misleading representations about registration status or compliance with the law.

***Sec. 45.66.150. Untrue statements or omissions.**

Prohibits a seller from making an untrue statement of material fact in registration information, disclosure statements, advertising or other communications.

***Sec. 45.66.160. Unwarranted conclusions.**

Provides that acknowledgment of registration by the department does not constitute a recommendation or approval of a seller or a business opportunity.

***Sec. 45.66.170. Waiver prohibited and void.**

Prohibits a seller from requesting that a buyer waive rights or defenses under this chapter.

***Sec. 45.66.180. Seller's records and files.**

Requires that a seller maintain records of the advertisement or promotion of a business opportunity for five years and that the seller allow access to the records by the department. Also requires that a seller keep all documents relating to a contract for four years.

***Sec. 45.66.190. Public records.**

Provides that documents required under this chapter are public records. However, testimony and records related to an investigation by the department would not be public records.

***Sec. 45.66.200. Denial, suspension, or revocation of registration.**

Allows the department to deny, suspend, or revoke a registration for a number of reasons, such as the seller's failure to comply with registration requirements; for fraud or deceit perpetrated on the buyer; or if a person represents an unreasonable risk to the public interest and has been convicted of a crime involving fraud or theft or has violated consumer protection laws. Establishes that prior to taking action under this provision, the department must provide to the person a notice of intent to deny, suspend, or revoke the

registration, and the person has an opportunity to respond to the notice by submitting a sworn statement.

***Sec. 45.66.210. Criminal penalties.**

Provides that a person who recklessly violates the registration, disclosure, or contract provisions of the chapter is guilty of a Class C felony; other violations are punishable as Class A misdemeanors.

***Sec. 45.66.220. Exemptions.**

Exempts from coverage certain transactions including sales or offers to sell:

- A business opportunity if the payments by a buyer under the contract are less than ~~\$200~~ 250
- a franchise under 16 CFR 436
- an ongoing business to be sold in its entirety
- equipment, materials, or samples for use in sales demonstrations and not for resale, or product inventory sold to the buyer at a bona fide wholesale price
- securities
- a business opportunity in which the buyer is a bank or financial institution
- a business opportunity involving a marketing plan made in conjunction with the registration of a trademark or service mark and where the seller has a minimum net worth of \$1,000,000
- a business opportunity where either the seller or the buyer is licensed as a real estate broker, associated real estate broker, or real estate sales person under AS 08.88 and the sale or offer is regulated by AS 08.88

***Sec. 45.66.230. Coordination with other laws.**

Provides that this chapter governs if a sale or offer to sell a business opportunity is regulated by this chapter and by other laws and if compliance with both is not possible.

***Sec. 45.66.240. Regulations.**

Allows the department to adopt regulations under the Administrative Procedure Act to implement this chapter.

***Sec. 45.66.900. Definitions.**

Provides definitions, including the definition of "business opportunity" as a contract or agreement for the sale of products, equipment, supplies, or services enabling the buyer to start a business and in which the seller agrees to provide additional services, such as

- Assisting in finding locations for the use or operation of vending machines, racks, display cases, or other similar devices
- Assisting in finding outlets or accounts for the buyer's products or services;
- Purchasing any or all products made, produced, fabricated, grown, bred, or modified by the buyer
- Agreeing to buy back products from the buyer products

-
- Representing that the buyer will derive income from the business that will exceed the price paid to the seller
 - Providing the buyer with a marketing plan

***Sec. 4.** Changes the court rules to require the court clerk, in actions brought against escrow accounts under AS 45.66.120, to mail a copy of the complaint and subsequent orders or judgments to the attorney general.

***Sec. 5.** Provides for a grace period for the registration of sellers of business opportunities who are in business before the effective date of Section 3, allowing them to continue selling or offering to sell for up to 45 days, after which time they must be registered.

***Sec. 6.** Allows the Department of Law to adopt regulations to implement the act.

***Sec. 7** Provides that AS 45.66.120(b) takes effect only if sec. 4 receives the two-thirds majority vote of each house.

***Sec. 8** Provides that Section 6 of the act takes effect immediately under AS 01.10.070(c).

***Sec. 9** Provides that this act, other than Sec. 6, takes effect July 1, 2002.

February 4, 2002

HB 393 –THE "BUSINESS OPPORTUNITY" BILL

What is a business opportunity?

A business opportunity, or "biz opp", is a pre-packaged small business deal offered primarily to novice entrepreneurs. Unfortunately, these enterprises are often fraudulent. Typical business opportunities range from a variety of work-at-home schemes such as medical billing, to the sale of vending machines, pay telephones, greeting card display racks and other products, to the sale of "900 numbers." They almost always promise high earnings, which rarely materialize. According to the Federal Trade Commission, biz opp scams bilk hundreds of thousands of consumers out of tens of millions of dollars each year.

How are biz opps advertised?

Biz opps are frequently pitched to consumers through classified ads, over the Internet, and through "infomercials," followed up with high-pressure sales pitches. The following are typical biz opp advertisements:

- "Medical Billing. Work from home – Full or Part Time. From \$24K to \$50K+ per year. Home Computer Required. CALL NOW."
- "1000 Envelopes=\$4000. From Home! \$4 per envelope you stuff GUARANTEED!"
- "HERSHEY AND NABISCO VENDING – High weekly income potential. Work 6-8 hrs/wk. Secured and guaranteed locations. \$7000 investment required."
- Small Town Entrepreneur Discovers Amazing Way to Earn Money at Home! FREE Report reveals how you can earn \$\$\$Thousands\$\$\$ each week...sending Fax-Ads to Business Offices in your area.

Who are the likely targets of biz opp scams?

Generally, biz opp fraud targets stay-at-home parents, retirees, people who are out of work, and individuals looking to create their own business. Alaskans may be targeted because of the seasonal nature of many jobs in Alaska, because of the disposable income associated with the PFD, and because of the entrepreneurial spirit of many Alaskans.

What does HB 393 do?

HB 393 creates a new, comprehensive statute regulating promoters of business opportunities. It requires persons who sell business opportunities to register with the state, to disclose information to buyers, to use escrow accounts to assure delivery of business assets, and to provide a 30-day right of cancellation to the buyer. With this bill, Alaska would be joining approximately half of the states, which have statutes requiring registration of business opportunities. In addition to providing an enforcement mechanism for the state, the bill will ensure that potential investors can be fully informed about a business before entering into a

sales agreement. As discussed below, some types of business opportunities are specifically exempted from the registration requirements of HB 393.

HB 393 provides for civil and criminal penalties for violators. A person who recklessly violates the registration requirements is guilty of a Class C felony. A person who recklessly violates the contract or cancellation provisions is guilty of a Class A misdemeanor. HB 393 also makes clear that a violation of the biz opp statute is also a violation of the Unfair Trade Practices and Consumer Protection Act.

Are there exemptions from the HB 393 registration requirements?

The registration requirements of HB 393 do not apply to a number of transactions, including those in which the total payment from the buyer to the seller is less than \$200. They also do not apply to the sale of sales demonstration equipment, materials, or samples for use in sales demonstrations and not for resale, or product inventory sold to the buyer at a bona fide wholesale price (businesses such as Amway or Mary Kay); sale of a franchise (as defined under federal law); sale of an ongoing business sold in its entirety; sales of securities; and real estate transactions regulated by AS 08.88. Exemption language is found on pages 12-14 (AS 45.66.220 – Exemptions).

*Prepared by Department of Law
March 2002*

So you want to work at home?

You're conflicted. You need extra income, but you want to be around for your kids. So you're tantalized by the idea of staying home and earning cash. Clever marketers know they have you. They promise a whole world of work-at-home possibilities that sound perfect: "Stuff envelopes on your own time." "Doctors need you to do their medical billing from home." "Like crafts? Great pay for assembly work." They try to lure you with enticing salaries: "Earn hundreds: The faster you work, the more you make."

The problem is, you rarely end up making the money you're promised. In fact, few people make any at all, and most lose money. An investigation of 112 work-at-home companies conducted in 2000 by Operation Job Fraud, a task force made up of several Better Business Bureaus and the U.S. Postal Inspection Service, turned up nothing but scams. When the task force investigated ads on the Internet, on posted flyers, and in magazines and newspapers, they "found no evidence of making the money promised," says Katy Conklin of the Better Business Bureau in Chattanooga, Tennessee. "We tried them ourselves. We spent our own money on the kits and materials, and we never made back our investment."

The Federal Trade Commission estimates that tens of millions of dollars a year are lost on these phony offers. Although most people are cheated out of anywhere from \$20 to a couple of hundred, some lose more.

Targeting potential victims is easy. Conklin recalls it happening in her own family. "Two years ago my daughter gave

Read this before you fall for some of the most common rip-offs. **BY JANICE LIEBERMAN**



BEEN CONNED? ←

Complain! Consumer agencies can go after bogus companies only if they know about them. File a complaint with the regional Better Business Bureau where the company is located, and call the Federal Trade Commission at 877-FTC-HELP or log on to ftc.gov.

using guilt tactics such as "Why would you leave your kids at home to work?" The scamsters stop at nothing!" Conklin says that working moms, the disabled, the elderly, students, and non-English-speaking immigrants most often fall victim to these scams.

So why aren't these fraudulent companies tracked down—and shut down? For one thing, many change their names

or addresses and go out of business within a year or two, making it daunting for investigators to track them. Second, such scams often go unreported: Many victims are too embarrassed to complain or don't want to spend time filing a claim.

All of which means it's up to you to protect yourself. As an assistant director of the Bureau of Consumer Protection at the Federal Trade Commission, Mona Spivack works to put these shady companies out of business. We asked her to describe three of the most common fraudulent schemes:

RIP-OFF #1: MEDICAL BILLING FROM HOME

This scam robs you of big bucks up front: According to Spivack, you're typically asked to shell out several hundred dollars for medical-billing software and a list of doctors who need your services. You're told that the doctors will give you lists of patients to bill and forms to input into your computer. You're supposed to submit the computerized forms to a clearinghouse that will forward them to Medicare for reimbursement. "They tell you it can be done on your own time and that you can make \$1,500 a week," says Spivack.

Sounds great, right? But here's the reality: You get the software, and it's hard to use. And when you send out letters to doctors offering them your help, they've never heard of you and aren't interested in your services. In fact, Tom Collier of the Better Business Bureau in Tucson, along with the Pima County Medical Society, surveyed 2,100 doctors to find out whether they'd even consider



Honorable Eldon Mulder, Co-Chair
House Finance Committee
Alaska Capitol, Room 507
Juneau, AK 99801-1182

Honorable Bill Williams, Co-Chair
House Finance Committee
Alaska Capitol, Room 511
April 16, 2002

RE: HB 393 (Stevens) – Support

Dear Co-Chairs Mulder and Williams:

On behalf of the members of AARP in Alaska, we urge you and your colleagues on the House Finance Committee to support HB 393, authored by Representative Gary Stevens.

HB 393 will address an issue that is often of concern to retirees. . . prepackaged "business opportunities" targeted at novice entrepreneurs and "work at home" schemes.

The bill would require that sellers of business opportunities register with the State and would require them to disclose specific information to the potential buyer before the sale. They would also be required to use an escrow account to assure delivery of promised goods and provide a 30-day right of cancellation to the buyer.

Representative Stevens has provided exceptions for some recognized direct selling operations. HB 393 would target those individuals and organizations that should not be allowed to operate in Alaska.

Government has a legitimate role in consumer protection. AARP believes HB 393 is an excellent example of appropriate oversight and regulation.

On behalf of all Alaskans who have been taken in by phony "business opportunities", AARP urges an "AYE" vote on HB 393.

Should you have any questions about our position, please feel free to contact Marie Darlin (586-3637), Coordinator of the AARP Capitol City Task Force; Patrick Luby (907-762-3314), AARP Legislative Representative; or me (907-245-5259).

Thank you for your consideration.

Sincerely

A handwritten signature in cursive script that reads "Marguerite Stetson".

Marguerite Stetson
Executive Council Member for Advocacy

cc: Representative Bunde, Vice Chair Representative Whitaker
Representative Foster Representative Croft
Representative Harris Representative Davies
Representative Hudson Representative Moses

having an outsider do their medical billing. Only 15 doctors said yes. "That's 0.6 percent of the market," says Collier.

Carolyn Agustin-Acosta learned about this scam the hard way. She saw an ad in a local paper for medical billing that promised earnings of \$20 to \$40 an hour. The Northridge, California, nurse was working 53 hours a week and needed to supplement her income but didn't want to spend any more time away from her 3-year-old son. After paying \$339 for the software, she received a list of doctors who she then realized didn't exist. "I was in tears," she says. "I lost all that money. I was looking forward to spending more time with my son and having more children, but I can't do it like this."

And once you've been scammed, good luck getting your money back. According to Stephen Gurwitz, a senior trial attorney with the FTC, "You call the customer service department [of the medical-billing company] to tell them the software is useless, and they say, 'Once you open the software, it can't be returned.'" To try to get a refund, he says, you can write letters of complaint to the company, the Better Business Bureau, the FTC, and the consumer protection agency in the state where the business is located.

A variation on the medical-billing scheme is one in which you're encouraged to help out Uncle Sam. The company provides you with a list of people who are due a government refund for some reason, say they overpaid on their taxes. Allegedly you'll get a cut of that refund as a commission. The list runs you about \$80, but as in the medical billing scam, the phone numbers and addresses

you're furnished with are fake (or if they're real, you have to talk strangers into giving you their money)—and you're still responsible for the cost of the phone calls and the postage.

RIP-OFF #2: HOME ASSEMBLY

Feeling crafty? Think you might try your hand at assembling picture frames or sewing—all on your own time? This offer, usually found in the classifieds, promises you up to several hundred dollars a week, depending on how fast you can assemble the products. You're asked to send in \$40 to \$100 for the supplies, which you receive in the mail with an instruction booklet. But you're sent only enough supplies for one sample item, and then your handiwork must be seen and "approved" by management. That part, of course, is rarely mentioned over the phone when you call the number posted in the ad.

Investigators say that these operators make it impossible for you to earn money. These wheeler-dealers send you craft kits with parts missing or pieces that don't fit. Or they ask you to sew something relatively easy but reject the result. "I've had professional seamstresses call me up crying, saying their sewing on something simple was sent back," Spivack says.

RIP-OFF #3: ENVELOPE STUFFING

It *sounds* so simple—which is why this scam has been around for years. How it works: You respond to an ad and are promised about \$5 per stuffed envelope. You pay \$25 to \$50 for envelopes, stamps, flyers, and a mailing list. What you get in return is a flyer to photocopy

4 clues that you're being scammed

CLUE 1: "Act now" pitches. Some con artists try to pressure you by saying that most of the positions are filled, so you had better act now. A legitimate employer will give you time to think about signing on.

CLUE 2: Evasive answers. Always ask for a detailed description of what you're expected to do to earn money, and of how, when, and how much you'll be paid. Get it in writing, and read the fine print.

CLUE 3: The claim that "anyone can do it." A real employer usually wants a résumé and references.

CLUE 4: Claims that you can make more at home than in a similar office job. To check out a work-at-home job, research the going rate for doing that same job in an office. For instance, data entry may pay \$7 to \$10 an hour: That's \$1,600 a month if you work full-time. An ad that promises you \$2,000 a week for doing the same job at home is probably bogus.

and send to people whom you're supposed to solicit by placing a newspaper ad conning them to "make money stuffing envelopes." So you've essentially passed along a chain letter duping others.

"It happened to us twice. I'm almost embarrassed to say it," one scammed woman confided to *Redbook*. The first incident happened a year ago, when she was pregnant and wanted to supplement her husband's income. What could be easier than stuffing envelopes in the comfort of her own home? Plus, she had worked in an office and knew how to get the job done quickly. She was so excited that she paid extra to have the kit sent to her faster. After spending \$40 she received a packet. Realizing it was a chain-letter scam, she did nothing with it; she didn't want to cheat other people.

The next time she answered an ad for stuffing envelopes, it read "This is not a scam." She sent \$80 and received nothing. "I actually called directory assistance to find the name of the person whose testimonial was in the original ad," she says. "Of course there was no listing for that person. I was so angry." She has since decided to make money babysitting. □

Where the real jobs are

Here's the good news about working from home: Legitimate opportunities do exist. Some require special skills, such as typing and bookkeeping, and most will want you to have your own work space. Below are job-list websites recommended by Rosalind Mays, author of *The Real Deal on Telecommuting*, who has a work-at-home site of her own (see below). Before you sign on with any company, check it out with the Better Business Bureau in the region where the business is located.

www.wahm.com/jobs.html This site—the Work at Home Moms job listing—links to job postings at monster.com, hotjobs.com, and other sites.

www.tjobs.com Search here by category for listings of creative and technical jobs (such as writing and programming), among others.

www.workaholics4hire.com This site provides links to other sites' job postings, but also includes its own listings of telecommuting positions in various fields.

www.sohojobs.org The Small Office-Home Office Jobs website profiles and evaluates other job sites, including their weekly job postings.

www.telecommuting.cjb.net Rosalind Mays's site lists jobs from newspapers, websites, and other sources, as well as links to other job-list sites.

—Lisa Pilnik