



HOME-BASED AND MICRO BUSINESSES

CASHING IN ON BUSINESS OPPORTUNITIES

SPOTTING OPPORTUNITIES AMONG SCAMS

PREFACE

This unit includes basic information for teaching entrepreneurs about business schemes, business scams, and fraudulent business opportunities. It is designed to be used in a one hour session. A combination of lecture and hands-on approach is recommended. Internet access is recommended for use during the lecture and/or hands-on experience.

Goal: To provide the background and basic information on business scams (a fraudulent business scheme, a swindle) and fraud related to small business opportunities.

Objectives: As a result of this lesson, entrepreneurs will be able to:

- Better understand about small business schemes and scams.
- Identify major types of small and home-based business scams.
- Better evaluate the legitimacy of business opportunities.

Included with this curriculum are two case studies taken from the files of the Federal Trade Commission's Chicago regional office. The names have been changed to protect the privacy of the individuals involved.

HANDOUTS

Handout 1 — Case Study #1

Handout 2 — Case Study #2

ADDITIONAL RESOURCES

Council of Better Business Bureaus, Inc.

4200 Wilson Blvd. Suite 800

Arlington, VA 22203-1838

703-276-0100

<http://www.bbb.org>

Federal Trade Commission

Consumer Response Center

600 Pennsylvania Ave, NW

Washington, DC 20580

877-FTC-HELP (382-4357)

<http://www.ftc.gov>

National Consumers League

1701 K Street, NW, Suite 1200

Washington, D.C. 20006

202-835-3323

<http://www.natlconsumersleague.org>

National Fraud Information Center

PO Box 65868

Washington, DC 20035

800-876-7060

<http://www.fraud.org>

United States Postal Service

Office Of Inspector General Attn: Hotline

1735 N. Lynn Street

Arlington, VA 22209-2020

888-877-7644

<http://www.uspt.gov>

INSTRUCTIONAL MATERIALS

SLIDE

2

Throughout the United States many people are starting legitimate home-based businesses every day. In today's workplace, a lot of people are interested in making additional income by working for themselves from home. Because of this growing interest in home-based businesses, a large number of individuals and companies have organized to meet the needs of these budding entrepreneurs. Some of these companies, however, are more interested in selling a worthless business idea and padding their own pockets instead of helping someone develop a real small business opportunity.

SLIDE

3

Work-at-home schemes appeal to consumers because they make the promise of "quick and easy" money. Business opportunity scams offer ideal working situations such as (1) be your own boss, (2) set your own hours, (3) work from home, and (4) no risks. Targets of work-at-home scams are often people staying at home with young children, the elderly, unemployed persons, and individuals with disabilities.

SLIDE

4

When an opportunity sounds "too good to be true"—watch-out, because it is probably a scam! According to the Better Business Bureau (BBB), when tempted by a work-at-home promotion, consumers should remember they could:

- Lose money—victims have lost amounts ranging from \$10 to 70,000+.
- Damage their reputation—victims may find that they have unintentionally sold family and friends bad or nonexistent products or services.
- Risk becoming the focus of legal investigation—victims may be held responsible if they perpetrate a fraud by promoting and selling a fraudulent product or service to others.
- Lose valuable time—victims may expend a lot of time and effort on a work-at-home scheme that provides nothing in return.

SLIDE

5

The Better Business Bureau alerts entrepreneurs to be skeptical about work-at-home opportunities that use statements such as:

- Earn big money with little effort—"You can earn hundreds of \$\$\$ working from home in your spare time!"
- No experience necessary—"Our people have come from all walks of life and have succeeded with no special training."
- The market already exists—"This huge, untapped market is waiting for you!"
- Invest only a small amount of money for supplies and training materials—"Only \$29.95 will bring you thousands in earning power!"
- No salary but lots of profit—"Profits will start rolling in with your first completed item."
- Don't wait, act now—"Save money by making your decision today! Popular demand will force us to raise our rates soon."

According to the Federal Trade Commission (FTC), investigations show business opportunity scams are most often promoted at trade shows, through small ads that appear in the classified sections of newspapers and magazines, through slick telemarketing, and now, over the Internet.

TYPES OF BUSINESS OPPORTUNITY SCAMS

The following list is an overview of the typical types of small business scams that are currently being promoted as “business opportunities”:

Assembly or Craft Work. These scams often require an investment of hundreds of dollars in equipment or supplies. The entrepreneur may also be required to spend many hours producing goods for a company that has promised to buy them when completed. For example, a requirement might be the purchase of a sewing or sign-making machine from the company, or materials or “kits” to make items such as aprons, baby shoes, ornaments, stuffed animals, or plastic signs. However, after the supplies and/or equipment are purchased and the work performed, fraudulent operators don’t pay for the products as promised. In fact, many consumers have had companies refuse to pay for their work because it didn’t meet “quality standards.” Unfortunately, no work is ever “up to standard,” leaving workers with relatively expensive equipment and supplies, and no income. To sell their goods, these workers must find their own customers.

FOR ADDITIONAL INFORMATION

Read “Work-at-Home Schemes” at the Federal Trade Commission Web site:
<http://www.ftc.gov/bcp/conline/pubs/invest/homewrk.shtm>

Envelope Stuffing or Other Mailing Schemes. This type of small business opportunity is one of the oldest scams around and it is also one of the most common. Usually ads are placed in local newspapers, magazines, community bulletin boards, or on the Internet offering the promise of lots of money, a guaranteed salary, or a per envelope fee. The ads stress no experience is needed and work can be done from home in spare time.

According to the FTC, promoters usually advertise that, for a “small” fee, they will tell you how to earn money stuffing envelopes at home. Later—when it’s too late—you find out the promoter never had any employment to offer. Instead, for your fee, you’re likely to get a letter telling you to place the same “envelope-stuffing” ad in newspapers or magazines, or to send the ad to friends and relatives. The only way you’ll earn money is if people respond to your work-at-home ad.

Dollar amounts in this type of operation are low, but profits to the unscrupulous promoter are high.

FOR ADDITIONAL INFORMATION

Read “Work-at-Home Schemes” at the Federal Trade Commission Web site:
<http://www.ftc.gov/bcp/conline/pubs/invest/homewrk.shtm>

Internet-Related Business Opportunities. While it is certainly possible to make a lot of money in cyberspace, watch-out for scam artists selling fraudulent Internet-related business opportunities that will costs thousands and give nothing in return. Internet-related business scams are promoted primarily on Web sites and through e-mail solicitations. Keep in mind that

SPOTTING OPPORTUNITIES AMONG SCAMS

just because a company has a flashy Web site doesn't mean it is legitimate. These scams often target people who are eager to learn and use technology but are not yet Internet savvy.

Some examples of Internet-related scams include illegal pyramiding schemes that recruit people to sell devices that enable television access to the Internet, selling machines or kiosks that provide walk-up access to the Internet for a fee, and bogus training programs for "Internet consultants."

FOR ADDITIONAL INFORMATION

Read "Net Based Business Opportunities" at the Federal Trade Commission Web site: <http://www.ftc.gov/bcp/conline/pubs/online/netbizop.shtm>

Medical Billing Schemes. These scams are advertised as pre-packaged businesses in newspapers, on television, and over the Internet. The pitch sounds believable—"For a small investment we will provide you with everything you need to earn \$50,000 or more using your home computer to process billing, accounts receivable, electronic insurance claims, and practice management to doctors and dentists." The "small fee" can be as much as \$8,000 or more. This investment usually provides a "business start-up package" containing a brochure, an application, sample diskettes, CD's, a contract or licensing agreement, disclosure document, testimonial letters, video cassettes, DVD's and reference lists—what it fails to provide is the income promised.

According to the FTC, few consumers purchasing a medical billing business opportunity are able to find clients, start a business, and generate income. Competition in the medical billing market is very strong among a number of large and well-established firms.

FOR ADDITIONAL INFORMATION

Read "Medical Billing Business Opportunity Schemes" at the Federal Trade Commission Web site: <http://www.ftc.gov/bcp/conline/pubs/invest/medbill.shtm>

Multilevel and Pyramid Marketing Programs. Multi-level marketing is a system of selling goods or services through distributors. In other words the business owner enlists people (distributors) to assist in the recruiting of more people to help them sell, and so on and so on. The distributors receive commissions for sales of the goods and services and commissions for sales of the goods and services sold by the people they recruited. In a legal multilevel marketing company, the main focus is related to product and product sales. A genuine multilevel marketing business has an end user—a consumer who will actually buy the product or service. However, if the program offers to pay commissions for recruiting new distributors—watch out—most states outlaw this practice which is called "pyramiding."

Pyramid marketing programs differ from legitimate multilevel marketing companies in that their major focus is to sign up more distributors, not to sell products or services. These schemes stress that distributors can "get rich quick" by recruiting more and more distributors. The major problem with this type of scheme is that to make large amounts of money, the distributor needs to be at the top of the pyramid. According to the FTC, state laws against pyramiding say that a multilevel marketing plan should only pay commissions for retail sales of

goods or services, not for recruiting new distributors. Pyramid programs that pay commissions for recruiting new distributors eventually collapse when no new distributors can be recruited. And when the program collapses, most people lose their money.

New pyramid schemes are now on the Internet in the form of cyberspace chain letters. People pay to join programs with promise of big profits from membership fees paid by new recruits. Sometimes there are false representations that the money made by recruiting others will go to charities. And sometimes even products are offered as part of membership (such as prepaid phone cards); however, no money is earned for simply selling products or services to consumers, as in legitimate multilevel marketing plans.

FOR ADDITIONAL INFORMATION

Read "Multilevel Marketing Plans" at the Federal Trade Commission Web site
<http://www.ftc.gov/bcp/conline/pubs/invest/mlm.shtm>

Scams Against Businesses. Entrepreneurs looking to start a business are not the only victims of fraud. Businesses, from large corporations to small home-based businesses are targets for a variety of illegal schemes. According to the National Consumers League (NCL), schemes include advertising materials, bogus invoices, calling card charges, charitable solicitations, cramming, fax fraud, Internet services, loan scams, pager scams, phone scams, and prize promotions.

The NCL recommends the following practices as a defense against scams:

- Do business with known and trusted companies.
- Understand the offer.
- Check all bills and invoices carefully.
- Guard financial or other account information.
- Educate employees about avoiding scams.

FOR ADDITIONAL INFORMATION

Visit the "Scams Against Businesses" section of the National Consumers League Web site at <http://www.fraud.org/scamsagainstbusinesses>

Seminars Selling Home-Based Opportunities. A number of companies travel throughout the United States selling home-based business opportunities primarily at seminars and conferences. These companies are almost always from out of state. They offer financial projections that are too good to be true and a special seminar price for purchasing the business opportunity. According to the FTC, these companies promote and sell home-based business opportunities, such as the resale of distressed merchandise, vending machines, color-change T-shirts, the sale of discount travel memberships, vitamins, scholarship search services, and estate planning. Sometimes these scams are also promoted through infomercials, print advertisements, mail pieces, and/or telephone solicitations in addition to seminars.

The FTC investigations suggest that "few, if any, consumers who purchased these business ventures made any substantial money." Companies misrepresent testimonials, develop false case

SPOTTING OPPORTUNITIES AMONG SCAMS

histories of individuals who have purchased their products, and provide no foundation for the huge incomes they suggest their clients can make.

FOR ADDITIONAL INFORMATION

Read “The Seminar Pitch: A Real Curve Ball” at the Federal Trade Commission Web site: <http://www.ftc.gov/bcp/conline/pubs/invest/seminar.shtm>

So-Called Franchises. Sometimes companies will promote business opportunities as business franchises. If the company’s business opportunity constitutes a franchise, the company must provide a disclosure document before any one signs an agreement or invests any money. Required by the FTC Franchise & Business Opportunity Rule (www.ftc.gov/bcp/franchise/16cfr436.shtm), the Franchise Disclosure Document provides important information about a business. The disclosure statement must be received by the potential buyer at least ten business days prior to signing documents or paying money. The document should include the following:

- The background and business experience of the company and its directors
- Any lawsuits brought against the company or its directors by franchisees, and suits alleging fraud
- Fees to be paid and the conditions under which any fees or deposits will be returned
- Cost of starting and maintaining the franchise
- The total number of franchises
- The names and addresses of at least 10 franchisees who live closest to your area
- The number of franchises terminated or not renewed during the previous year
- The company’s audited financial statement for the most recent fiscal year and an income statement and statement of changes in financial position for the three most recent fiscal years
- Substantiation for any claims about potential earnings or the earnings of existing investors
- The responsibilities you and the franchisor will have to each other once you have made the investment.

This information may help you decide whether the company is likely to stand behind its promises. It also may help you determine the probability of your success. A legitimate franchise opportunity will provide a prospective entrepreneur with all the required information up front, as well as the opportunity to validate the information—schemes and scams will not want to do this.

In addition, some states have business opportunity laws. Most of these laws prohibit sales of business opportunities unless the seller gives potential purchasers a pre-sale disclosure document that has first been filed with a designated state agency.

State business opportunity laws typically cover every imaginable type of business opportunity that might be offered. If a business opportunity seller is not required to provide pre-sale disclosures by the Franchise & Business Opportunity Rule, these disclosures will almost always be required by the laws of these states: Alaska, California, Connecticut, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Michigan, Minnesota, Nebraska, New Hampshire, North Carolina, Ohio, Oklahoma, South Carolina, South Dakota, Texas, Utah,

Virginia, Washington, and Wisconsin. (Check the FTC Web site at: <http://www.ftc.gov/bcp/franchise/netbusop.htm> periodically for state contact information and updates)

When considering purchasing a work-at-home or other business opportunity, and reside in a state with a business opportunity law, find out more about the protection provided by state statute before investing.

FOR ADDITIONAL INFORMATION

Read “Franchise and Business Opportunities” at the Federal Trade Commission Web site: <http://www.ftc.gov/bcp/conline/pubs/invest/franchise.htm> and “State Offices Administering Business Opportunity Disclosure Law” at <http://www.ftc.gov/bcp/franchise/netbusop.shtm>

Vending Machine and Display Rack Scams. Although some business opportunities servicing vending machines or display racks are legitimate, many are not. Companies advertise this equipment with the promise of high income. They promise to help place the equipment, provide training, and repair or replace damaged equipment.

According to the FTC, these so-called business opportunities may involve food vending machines, fax machines, amusement games, or racks with items for sale such as small toys, greeting cards, payphone, photo stickers, or cosmetics. The machines or racks may be in malls, airport terminals, bowling alleys, or other public places.

Complaints from persons investing money in these types of scams include equipment never delivered by promoters after sending initial payment (sometimes thousands of dollars), no follow-up support as promised by promoters, investors had to pay for own repairs, income not anywhere near amount promoted, and refusal to refund money invested.

According to the FTC, prospective buyers are entitled to written disclosures from business opportunity sellers of vending machines and display racks. These disclosures, required by the *Franchise & Business Opportunity Rule* (<http://www.ftc.gov/bcp/franchise/16cfr436.shtm>) must include the following information:

- The names, addresses and telephone numbers of at least ten prior purchasers in the area
- The number and percent of prior purchasers who have made as much or more sales, income or profits as the seller claims can be made
- An explanation of how the seller knows how much prior purchasers have made, and how any claims about sales, profits or earnings have been calculated

If a vending machine or display rack opportunity seller does not make these disclosures, it is violating federal law.

FOR ADDITIONAL INFORMATION

Read “Avoiding Vending Machine & Display Rack Scams” at the Federal Trade Commission Web site: <http://www.ftc.gov/bcp/conline/pubs/invest/vending.shtm>

SPOTTING OPPORTUNITIES AMONG SCAMS

Wealth-Building Scams. These companies are focused on one thing and one thing only—building their own wealth by selling their “get rich quick” books, audio tapes, video tapes, computer software through slick infomercials, seminars, and other advertisements. Many of these companies make false and misleading claims about wealth-building and business opportunity programs. Don’t be fooled into investing money in an opportunity that is essentially worthless.

FOR ADDITIONAL INFORMATION

Read “Wealth Building Scams” at the Federal Trade Commission Web site: <http://www.ftc.gov/bcp/con-line/pubs/invest/wealth.htm>

These are just a few of the many fraudulent home-based business opportunities being promoted by scam artists—with new ones popping up every week. The Consumer Sentinel Network reported that more than 1.8 million complaints were filed in 2011, up almost 70 percent from 2007. Consumers reported paying more than \$1.2 billion in fraudulent claims in 2011. So be careful out there, and watch out for those scams!

SLIDE

8

BUSINESS OPPORTUNITY CHECKLIST

SLIDE

9

Business ventures require a lot of research and planning on the front end in order to be successful. While there are many good business opportunities available, there are just as many schemes and scams. When researching potential business opportunities keep the following tips in mind to avoid being a victim of a business scam:

- Check out the promoter and business opportunity thoroughly—call the State Attorney General, Secretary of State, Better Business Bureau, and consumer protection agencies in the state where the promoter’s business is headquartered and in the state where the business is being promoted. They should know about any unresolved complaints about the company and/or business opportunity. Keep in mind, the absence of complaints does not necessarily mean the company is legitimate. Unscrupulous companies may settle complaints, change their names, or move to avoid detection.
- Don’t judge a company based on appearances—Some of the biggest business schemes and scams are slick and professional in their promotion tactics.
- Ask for a disclosure document if you are interested in a franchise. Be skeptical of companies that do not have disclosure documents.
- Avoid any programs or business opportunities that offer commissions to recruit new distributors—it could be a pyramid scheme.
- Be cautious about references and testimonials; To verify claims made by the company, ask for a list of previous investors or business owners—talk with current owners of the business opportunity to see if their experience verifies the claims. Visit them in person at their business location rather than over the telephone.
- Ask for all company claims, promises, and policies in writing (including their refund policy).
- Realize that trainers and consultants at high-pressured seminars are there to sell not to teach.
- Ask companies to put claims regarding sales, profits, and income in writing—this should include the number and percent of others who have earned what the promoter claims. Be aware that incomes vary with location, usage, products sold, and product demand. The fact

that one business earned a “high” income in one location is no guarantee that it will do the same in another location.

- Seek professional advice—consult an attorney, accountant, and business advisor before signing any agreement or contract, or making any upfront payments. If the company requires a deposit consider an escrow account where the money will be maintained by a neutral third party.
- Be skeptical about “get-rich-quick” opportunities—remember, if it sounds too good to be true, then it probably is.

10

SLIDE

WHERE TO GET MORE INFORMATION AND ASSISTANCE

11

SLIDE

Federal Trade Commission. <http://www.ftc.gov>

The FTC publishes free brochures on many consumer issues. For a complete list of publications, write for Best Sellers, Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Ave, NW, Washington, DC 20580; or call toll-free 1-877-FTC-HELP (382-4357), TTY: 1-866-653-4261. Specify that you are interested in information about business schemes and scams.

Victims of business scams should report it. File a complaint with the FTC by contacting the Consumer Response Center by phone: toll-free 1-877-FTC-HELP (382-4357); TTY: 1-866-653-4261; by mail: Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Ave, NW, Washington, DC 20580; or through the Internet, using the online complaint form at www.ftccomplaintassistant.gov/FTC_Wizard.aspx?Lang=en. The Commission cannot resolve individual problems; however, it can act against a company if it sees a pattern of possible law violations.

United States Postal Service. <http://www.usps.gov>

Under Title 18 of the United States Postal Code, there are four major sections that provide protections related to home-based business opportunities. The sections are as follows:

Section 1341—Frauds and Swindles Section 1342—Fictitious Name or Address Section 1345—Injunctions Against Fraud Section 3005—False Representations; Lotteries. These laws relate to the use of the U.S. Postal Service as part of a business opportunity scam or scheme that commits mail fraud. Fines of \$1,000 and up to 30 years in prison can be given to individuals found guilty of these crimes. For additional information contact the U.S. Postal Service

National Consumers League. <http://www.nclnet.org>

The National Consumer League provides information about how to recognize the different types of fraud targeted to existing businesses and advice about what to do if a business is victimized. Victims can file reports through their online incident report form located on their website www.nclnet.org or the National Fraud Information Center website www.fraud.org or by calling 202-835-3323.

National Fraud Information Center. <http://www.fraud.org>

The National Consumers League also has information and tips regarding Internet and franchise business opportunity scams available through the National Fraud Information Center website

SPOTTING OPPORTUNITIES AMONG SCAMS

at www.fraud.org. Victims can file through the National Fraud Information Center by calling their toll-free number at 1-800-876-7060 or through their online incident report form located on their website at <https://secure.nclforms.org/nficweb/nfic.htm>. Fraud reports are relayed to the appropriate law enforcement agencies, including the FTC and state attorney generals' office.

Better Business Bureau. <http://www.bbb.org>

The BBB is a nonprofit organization whose mission is "to promote and foster the highest ethical relationship between businesses and the public through voluntary self-regulation, consumer and business education, and service excellence." There are over 130 BBBs located throughout the United States (telephone (703) 276-0100 or search their Web site to find out nearest BBB location). Complaints and inquiries about a specific company should be addressed to the BBB where the company is located or through their Web site. The BBB has a lot of good information about business opportunity scams and schemes, and information about scams targeting existing businesses available through their local offices and on the Web site.

State Agencies. State and local agencies such as the Attorney General's office, Better Business Bureau, and consumer protection offices are sources of information about potential business opportunities as well as avenues to file complaints when victimized.

HANDOUTS 1 & 2

Based upon information presented, initiate group discussion using Case Studies 1 & 2 and/or if Internet access is available, go to the following websites and discuss what is there:

Scams Against Businesses - <http://www.fraud.org/scamsagainstbusinesses/bizscams.htm>

Starting an Internet Business - <http://business.ftc.gov/documents/alt195-starting-internet-business>

Looking For Financial Freedom - <http://www.internetalliance.org>

Note: This lesson is designed to provide potential home-based entrepreneurs with basic information to help evaluate a small business opportunity. The information provided does not cover all of the scams, laws, and information regarding the problem of business scams. Anyone who is considering purchasing a business opportunity should move cautiously and seek professional guidance before investing any money

REFERENCES

Better Business Bureau
<http://www.bbb.org>

National Fraud Information Center
<http://www.fraud.org>

Federal Trade Commission
<http://www.ftc.gov>

United States Postal Service
<http://www.usps.gov>

National Consumers League
<http://www.nclnet.org>

HANDOUT 1

CASE STUDY #1

In 2012, Mr. Jones was looking for a way to supplement his income. He received in the mail a catalog of money-making opportunities. One of the products described was an “Inquiry Tabulator.” From the information provided by XYZ company Mr. Jones believed the company would be placing advertisements containing his local address to which people could send inquiries. It was his understanding he was being paid for the use of his address because it would generate more responses for the XYZ company, since people place more confidence in local addresses.

He ordered the “Inquiry Tabulator” program in March for \$89. A week later he received an instruction brochure from XYZ informing him he was required to advertise at his own expense to generate the responses for which he would be paid.

The advertisements he was told to place contained a message about work-at-home opportunities available to individuals who would send one dollar to his local address along with a self-addressed stamped envelope.

Mr. Jones decided at this point he was no longer interested in working with XYZ company for the following reasons:

Since he was required to place advertising in the local media he would have additional costs which he never counted on.

He was to include his name and address in the ads and not the XYZ company; therefore, he felt he would be responsible to the individuals responding to the ad.

Mr. Jones had seen these types of ads before in the local media and felt that his response rate would be very low and he would not receive the income represented to him.

After numerous letters to the company plus letters to the Federal Trade Commission, Postal Inspectors Office, Better Business Bureau, and his state Attorney General’s office, he was able to get a refund.

What are some of the key points Mr. Jones should have seen before he invested in this business opportunity?

What are some local resources Mr. Jones might have contacted in his state before he invested his money in this opportunity?

Prepared by David A. Buchen, Director, Home-Based Business Project, University of Wisconsin-Whitewater

HANDOUT 2

CASE STUDY #2

Mr. Wilson was a data processor and part-time farmer, who in May of 2012 saw a newspaper advertisement running in a local newspaper for a business opportunity. His wife contacted the ABC company regarding the opportunity.

An ABC sales representative contacted Mr. Wilson and met with him and his wife at a restaurant near his home. During this meeting the Wilsons were told about ABC distributorships for computer disks and racks. The representative stated that the company had agreements with local chain stores to setup its product in their stores. Mr. Wilson was promised by the sales representative that ABC would set up the locations and provide training.

The ABC company told Mr. Wilson that with 20 locations he could expect sales of 100 disks per day and that at the end of the year the company would purchase back any unsold product. They provided three names of ABC distributors for Mr. Wilson to contact.

Mr. Wilson paid the ABC company \$23,000 for a local distributorship. He received no franchise disclosure document, uniform franchise offering circular, or earnings claim document. Mr. Wilson relied on the representations of the ABC company staff and written literature.

One month later Mr. Wilson was given a map of the location of his sites, which he was to service every two weeks. He received no training, there were no chain stores, and none of the sites sold more than ten disks per month. Two years later Mr. Wilson has received only \$1,250 return on his investment and the company sent him a memo that the company is closing down.

What types of documents should have Mr. Wilson required before he signed a contract with ABC?

Should Mr. Wilson have been happy with only the names and telephone numbers of only three distributors?

What other types of resources could have Mr. Wilson checked with before investing his funds?