

**The Sale of Business Opportunities in Alaska**  
**Department of Law**  
**February 2005**

**HUGE PROFITS WITH YOUR OWN BUSINESS!**

**MAKE \$\$\$ ON THE INTERNET. WE'LL SHOW YOU HOW!**

**A-1 VENDING, \$100,000 POTENTIAL. PREMIUM LOCATIONS.**

**EARN \$45,000/YEAR, WORKING PART TIME FROM HOME.**

Advertisements like these for making lots of money from your own business sound great. But consumers need to be wary of claims suggesting you can make big profits with little training or effort. This brochure provides information on what you can do to avoid scams involving the sale of business opportunities.

A business opportunity is an arrangement where the seller leases or sells products, equipment, supplies, or services to the buyer so the buyer can start a business, and the seller agrees to perform services such as providing locations where the products can be sold, agreeing to buy back products assembled by the buyer, or providing a marketing plan. While there are legitimate business opportunities for sale, each year thousands of people across the country become victims of business opportunity scams.

Business opportunities appear in many different forms, from stuffing envelopes or doing medical billing at home, to leasing vending machines or ATMs and installing them at designated locations, to creating a website and advertising certain types of products and services on them.

If you're considering purchasing a business opportunity, you should know about Alaska's **Sale of Business Opportunity Act**, AS 45.66.010 – 45.66.900. This law helps potential buyers by requiring sellers of business opportunities of over \$250 to provide information to the Department of Law and to buyers.

The Act requires that sellers register with the Department of law, post a \$75,000 bond, file a disclosure statement, use a written purchase contract, and meet other requirements. **Sellers must register with the Department of Law beginning on April 4, 2005.** The registration documents submitted to the Department are public records and may be reviewed by members of the public.

### **What information must a seller give a buyer about a business opportunity?**

The seller must give a potential buyer a disclosure statement at least 10 days before the buyer signs a contract or makes a payment. The disclosure statement provide important information including:

- The seller's business history
- The seller's legal history, including bankruptcy filings
- The seller's financial condition, including audits and income statements
- A complete description of the services to be provided by the seller
- The total contract price and schedule of payments
- The basis for the seller's statements about potential earnings

### **What terms must be in the contract for a sale of a business opportunity?**

The contract for the sale of a business opportunity must be in writing, and the seller must give a copy to the buyer at the time buyer signs the contract. The terms of the contract must include:

- The payment terms, including the use of an escrow account if the seller asks for a downpayment of more than 20% of the initial payment
- A description of all services the seller will provide, including training
- Contact information for the seller, the seller's agent, and suppliers
- The delivery date of the product, equipment, or supplies
- A complete description of any buy-back provisions
- A statement of the buyer's right to cancel

### **Do all sellers of business opportunities have to register?**

There are a number of exemptions to the Sale of Business Opportunities Act. For instance, the act does not apply to a sale or an offer to sell: a business opportunity if the total amount of payments under the contract is less than \$250; a franchise that complies with federal law; certain securities that are regulated or exempt under state or federal law; and sales demonstration equipment, materials, or samples for use in sales demonstrations and not for resale, or product inventory sold to the buyer in connection with the buyer's ongoing business. The complete list of exemptions may be found at AS 45.66.220.

### **What are the warning signs of a business opportunity scam?**

The following are "red flags" that should warn you of the danger in proceeding with a particular seller or business opportunity:

- High pressure sales, including pressure to sign a contract immediately

- Promises of guaranteed profits or very high income
- Claims that you can make lots of money with little investment of time or work
- Initial payments that are much higher than what seems reasonable for a particular product, service, kit, or training
- Unwillingness to answer questions or provide required disclosures

**What should a buyer do before investing in a business opportunity?**

Consumers should do their homework before purchasing a business opportunity. Contact the Department of Law to see if the seller is registered and if so, review registration materials. Check with the BBB ([www.bbb.org](http://www.bbb.org)) for complaint information about the business opportunity, and check other sources on the internet. Talk to current investors, but make sure the investors are not “shills” for the seller -- persons who are connected to the seller, as opposed to independent buyers. Before signing a contract or making a payment, discuss the disclosure statement and contract with a lawyer, financial advisor, or a friend with investment experience.

For more information, or if you wish to file a complaint about a fraudulent business opportunity, contact:

Alaska Department of Law  
1031 W. Fourth Avenue, Suite 200  
Anchorage, AK 99501  
269-5200, or toll free from outside of Anchorage: 1-888-576-2529  
[www.law.state.ak.us/consumer](http://www.law.state.ak.us/consumer)

Federal Trade Commission  
1877-FTC-HELP  
[www.ftc.gov](http://www.ftc.gov)  
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